

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>City of East Lansing</u>	County Ingham
Audit Date June 30, 2004	Opinion Date September 28, 2004	Date Accountant Report Submitted To State: November 17, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 274 00 Northwestern Highway, P.O. Box 307		City Southfield	State Michigan
Accountant Signature 		Date November 17, 2004	

City of East Lansing, Michigan

Comprehensive Annual Financial Report

With Supplemental Information

Fiscal Year Ended June 30, 2004

Prepared by:

Department Of Finance

Gary P. Murphy, CPA

Director of Finance

City of East Lansing, Michigan

Comprehensive Annual Financial Report

With Supplemental Information

Fiscal Year Ended June 30, 2004

Introductory Section

City of East Lansing, Michigan

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Introductory Section

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September 28, 2004

Mayor and Members of City Council
City of East Lansing
East Lansing, Michigan 48823

The Comprehensive Annual Financial Report of the City of East Lansing for the fiscal year ended June 30, 2004, is submitted herewith. This report was prepared by the City's Finance Department. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City's administration. We believe this financial information is accurate in all material aspects; that it is presented in a manner designated to fairly state the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activities are included.

Last year's and this Comprehensive Annual Financial Report (CAFR) contains different statements and information than was contained in previous CAFRs. The statements for the fiscal year ending June 30, 2004, were prepared in accordance with Statement No. 34 of the Government Accounting Standards Board (GASB #34) entitled "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." Previously, the financial statements provided information about individual funds of the City. These funds established by the City show restrictions on planned use of resources or to measure, in the short term, the revenues and expenditures arising from municipal activities. While some of the statements in the CAFR are still on an individual fund basis, GASB #34 requires new government-wide financial statements which were prepared using accrual accounting for all government activities. These statements at the government-wide level will help readers assess the finances of the government in its entirety; determine if the City's overall financial position improved or deteriorated, and see how the City invested in capital assets like roads, bridges, sewers, parks, etc. The government-wide statements are aimed at looking at the City as a whole and how it looks in the long term. Also included is a new section called Management Discussion and Analysis which is intended to give an easily readable analysis of the City's financial performance for the year.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, an organizational chart and the Certificate of Achievement for Excellence in Financial Reporting. The financial section includes the Auditor's Report; Management Discussion and Analysis; Government-wide Financial Statements; Fund Financial Statements; Notes to Financial Statements; Required Supplemental Information and Other Supplemental Information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

CITY SERVICES

The City provides the full range of municipal services contemplated by statute and/or charter. These services include police, fire, rescue, ambulance, district court, sanitation, recycling, recreation, library, streets and roads, public improvements, downtown parking, water, sewer, planning, zoning and general administrative services.

ECONOMIC CONDITION AND OUTLOOK

East Lansing is located in central Lower Michigan adjacent to the City of Lansing--Michigan's state capital. East Lansing is a residential, commercial oriented community serving as a local business, marketing and cultural center and is the home of Michigan State University.

The Michigan economy appears to be stagnant. The East Lansing economy appears to still be strong. Unemployment in East Lansing is lower than the state's unemployment rate. The state equalized value (SEV) of all property in the City grew at 6.6% over last year despite an inflationary increase of 1.5%. The City continues to grow as evidenced by the number of and value of building permits. In calendar year 2003, the City issued 573 permits with a value of \$33,057,392 as compared to 488 permits valued at \$31,654,794 in 2002.

In November 1993, Michigan voters passed a resolution affecting how K-12 education is funded. School operating property taxes were drastically reduced which cut many homeowners property taxes in half. In its place, a 2 cent sales tax increase was implemented which was earmarked for education, as well as a state wide 6 mill education property tax. While most of this resolution impacted schools, there were several City budget impacts. The resolution also called for an assessment increase limit of 5% or consumer price index whichever is LESS by individual parcel, except when the ownership of a parcel is transferred. Therefore, the ability to raise revenue with the increase in property value is greatly diminished.

The sluggish State economy has resulted in lower State revenue sharing and State fire reimbursement to the City. Combined, this resulted in nearly \$1 million reduction in State revenues in 2003 and \$50 thousand reduction in 2004. The City reduced expenditures to meet this challenge.

MAJOR INITIATIVES

In 1996, 1998, 2000, and 2002, the City Council adopted a set of strategic priorities on which the City focused its attention. In January 2004, Council again updated these priorities and these priorities formed the framework for the Council=s initiatives. They include:

STRONG NEIGHBORHOODS

The City=s neighborhoods can increase their attractiveness for a diverse population of residents through the continuous improvements of public services, the provision of aesthetically pleasing and safe community amenities, and the maintenance of a strong infrastructure and quality housing stock.

VIBRANT ECONOMY

Continued economic development and strengthened efforts to expand the diversity of businesses and services will contribute to a vibrant economy.

ENHANCED PUBLIC ASSETS

Maintaining and improving the City=s public assets is critical to East Lansing=s well-being. These assets include both physical structures and facilities as well as the recreational, cultural and educational programs that provide all residents with a sense of community.

ENVIRONMENTAL QUALITY

Protecting the health and environment of the East Lansing community encompasses many areas of City government. Efficient and effective water, sewer, street and transportation systems are all key elements in achieving a high quality, healthy environment.

HIGH PERFORMING CITY GOVERNMENT

Maintaining a dynamic, high performing City government organization is necessary to achieve improvements in the four other strategic priority areas. The City will continue to focus on efficiency and effectiveness in the way work is performed and customer services are delivered.

Significant Initiatives -

The following is a partial list of significant initiatives either underway or accomplished in FY2004:

- City Council and Staff participated in welcoming new MSU students to East Lansing.
- Held the second Great Lakes Folk Festival, the successor event to the National Folk Festival.
- Conducted a citizen satisfaction survey of City services of 400 voters which indicated a 95% approval rating.
- Continued the City Health Care Task Force made up of representatives of all unions, non-

union, and management to try to reduce health and prescription costs. The Task Force won a Superior Innovations Award from the Michigan Municipal League. The City's health care provider was changed to Physicians Health Plan of Mid Michigan (PHP) in 2004.

- Participated in a housing fair to expose students to housing options and prepare them to be responsible members of the community.
- An additional 100 homes were completed in the new Hawks Nest subdivision in the northern part of the City.
- Eagle Eye Golf Course Clubhouse was completed.
- Several new office buildings were constructed on West Road and Coolidge Road.
- Summit Bank completed a new building on Abbott and Woodland Pass.
- A new public works building in the northern section of the City is under construction.
- Sold \$9.6 million bonds for a 2.6 million gallon retention basin for the combined sewer overflow abatement project. Construction is underway.

INTERNAL CONTROLS

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of the control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

MUNICIPAL SECONDARY MARKET DISCLOSURE

Certain financial information is required to be disclosed annually in compliance with Security and Exchange Commission Rule 15c, 2-12. We maintain the information contained in this Comprehensive Annual Financial Report meets the annual reporting guidelines.

INDEPENDENT AUDIT

The City Charter and State Law require an audit of the accounts of the City annually by qualified accountants experienced in municipal accounting. The City contracted with the auditing firm of Plante & Moran, PLLC, to conduct the audit and their report is included in the Comprehensive Annual Financial Report. The audit team consisted of Mr. Joseph Heffernan, Partner; Ms. Pamela McIntosh, Ms. Katherine Forth, Mr. Garrett Childs and Ms. Michelle Wallace, Auditor Staff.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of East Lansing for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003, as well as the nineteen previous fiscal years.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENT

The attached report represents the final product in the accounting cycle of the City for the year ended June 30, 2004. The issuance of this report is the culmination of many hours of effort in wrapping up the fiscal year of the City. We would like to express our appreciation to Plante & Moran, PLLC, auditors for their efforts in making their audit run smoothly and timely. We also wish to acknowledge the efforts of Ms. Connie Larkin, Assistant Finance Director; Ms. Mary Haskell, Administrator of Accounting and Budgeting; Ms. Lisa Rober, former City Treasurer; Ms. Karen Ruddy, City Treasurer; Ms. Vicki Durr-Marinez, Finance Secretary; and other staff members in their efforts in closing the books and assisting the auditors in their examination. We would also like to thank the Mayor and the City Council for their interest and support in the financial condition of the City. For further information regarding the City's financial condition, please see the Management Discussion and Analysis included in the report.

Sincerely,



Theodore J. Staton
City Manager



Gary P. Murphy
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of East Lansing,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in dark ink, appearing to read "Edward Haney".

President

A handwritten signature in dark ink, appearing to read "Jeffrey R. Emer".

Executive Director

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graph TD
    Citizens[East Lansing Citizens] --> Court[54-B District Court  
Chief Judge Richard D. Ball  
Judge David L. Jordan]
    Citizens --> Attorney[City Attorney  
Dennis McGinty]
    Citizens --> Council[City Council]
    
    Council --> Manager[City Manager  
Theodore J. Staton]
    Council --> DeputyManager[Deputy City Manager/  
Chief Operating Officer  
Jean Golden]
    
    Manager --> Admin[Administrator  
Nancy L. Moylan]
    Manager --> HR[Human Resources  
Director George Lahamas]
    Manager --> Parks[Parks, Recreation and Arts  
Director Tim McCaffrey  
Assistant Director,  
Wendy Wilmers-Longpre]
    Manager --> GovBuild[Government Buildings]
    Manager --> RecArts[Recreation & Arts Services]
    Manager --> Facilities[Facilities Operations]
    Manager --> Elections[City Clerk/  
Elections Clerk Sharon Reid]
    Manager --> Comm[Communications  
Director Judith Tiran]
    Manager --> Web[Web/Events  
Specialist Ami Van Antwerp]
    Manager --> Code[Code Enforcement and Neighborhood  
Conservation Director Howard Asch]
    Manager --> Seniors[Seniors' Program  
Director Kelly Arndt]
    Manager --> InfoSys[Information Systems  
Administrator Alan McCarrick]
    Manager --> Finance[Finance Services  
Director/CFO Gary P. Murphy]
    Manager --> Assess[Assessing  
Assessor Robert E. Johnson]
    Manager --> AsstDir[Assistant Director  
Connie Larkin]
    Manager --> Treas[Treasury  
Treasurer Karen Ruddy]
    Manager --> Acct[Budget  
Administrator Mary Haskell]
    
    DeputyManager --> Planning[Planning and Community Development  
Director James van Ravensway]
    DeputyManager --> Parking[Parking  
Administrator Dan O'Connor]
    DeputyManager --> Zoning[Planning and Zoning  
Administrator Robert A. Owen]
    DeputyManager --> EconDev[Community and Economic Development  
Administrator Tim Dempsey]
    DeputyManager --> Police[Police Department  
Chief Louis Mulbn]
    DeputyManager --> AdminDept[Administration  
Deputy Chief Tom Wibert]
    DeputyManager --> Fire[Fire Department  
Chief Randall G. Talifarro]
    DeputyManager --> Eng[Engineering  
Administrator]
    DeputyManager --> WasteWater[Waste Water Treatment Plant  
Superintendent Jeff Johnson]
    
    Planning --> AdminDept
    AdminDept --> Ops[Operations  
Captain Juli Liebler]
    Ops --> Patrol[Patrol, PACE,  
Investigation]
    
    Police --> AdminDept
    AdminDept --> Ops
    Ops --> Patrol
    
    Fire --> Ops
    Ops --> DeputyChiefs[Deputy Chiefs  
Terence Lapinski  
Kathy Van Patten  
Scot Wyman]
    Ops --> Prevention[Prevention  
Fire Marshal Bob Pratt]
    
    GovBuild --> RecArts
    RecArts --> GovBuild
    GovBuild --> RecArts
  
```

The organizational chart for the City of Lansing, Michigan, is structured as follows:

- East Lansing Citizens**
 - 54-B District Court**
 - Chief Judge Richard D. Ball
 - Judge David L. Jordan
 - City Attorney**
 - Dennis McGinty
 - City Council**
 - City Manager**
 - Theodore J. Staton
 - Deputy City Manager/Chief Operating Officer**
 - Jean Golden
- City Manager Theodore J. Staton**
 - Administrator**
 - Nancy L. Moylan
 - Human Resources**
 - Director George Lahamas
 - Parks, Recreation and Arts**
 - Director Tim McCaffrey
 - Assistant Director, Wendy Wilmers-Longpre
 - Government Buildings**
 - Recreation & Arts Services**
 - Facilities Operations**
 - City Clerk/Elections**
 - Clerk Sharon Reid
 - Communications**
 - Director Judith Tiran
 - Web/Events**
 - Specialist Ami Van Antwerp
 - Code Enforcement and Neighborhood Conservation**
 - Director Howard Asch
 - Seniors' Program**
 - Director Kelly Arndt
 - Information Systems**
 - Administrator Alan McCarrick
 - Finance Services**
 - Director/CFO Gary P. Murphy
 - Assessing**
 - Assessor Robert E. Johnson
 - Assistant Director**
 - Connie Larkin
 - Treasury**
 - Treasurer Karen Ruddy
 - Budget**
 - Administrator Mary Haskell
- Deputy City Manager/Chief Operating Officer Jean Golden**
 - Planning and Community Development**
 - Director James van Ravensway
 - Parking**
 - Administrator Dan O'Connor
 - Planning and Zoning**
 - Administrator Robert A. Owen
 - Community and Economic Development**
 - Administrator Tim Dempsey
 - Police Department**
 - Chief Louis Mulbn
 - Administration**
 - Deputy Chief Tom Wibert
 - Fire Department**
 - Chief Randall G. Talifarro
 - Engineering**
 - Administrator
 - Waste Water Treatment Plant**
 - Superintendent Jeff Johnson
- Administration Deputy Chief Tom Wibert**
 - Operations**
 - Captain Juli Liebler
 - Dispatch, Jail, Records, Community Activities Bureau**
 - Patrol, PACE, Investigation**
- Police Department Chief Louis Mulbn**
 - Operations**
 - Deputy Chiefs: Terence Lapinski, Kathy Van Patten, Scot Wyman
 - Prevention**
 - Fire Marshal Bob Pratt

Financial Section

Independent Auditor's Report

To the City Council
City of East Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of East Lansing, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of East Lansing, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of East Lansing, Michigan as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the City Council
City of East Lansing, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of East Lansing, Michigan's basic financial statements. The accompanying General Fund budgetary comparison schedule, introductory section, other supplemental information, and statistical section, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The nonmajor governmental funds and internal service funds combining statements and the component unit fund based statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory section, budgetary comparison schedules, statement of changes in Agency fund assets and liabilities and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2004, on our consideration of the City of East Lansing, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

September 28, 2004

Management's Discussion and Analysis

City of East Lansing, Michigan

Management's Discussion and Analysis

Overview of the Financial Statements

East Lansing's 2004 annual report follows the same format as last year. The annual report consists of five parts - Management's Discussion and Analysis, the basic financial statements, required supplementary information, other supplemental information that presents combining statements for nonmajor governmental funds and fiduciary funds, and a statistical section. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the City's government, reporting the City's operations in more detail than the government-wide statements.

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's financial health or position.

The government-wide financial statements of the City are divided into three categories:

- Governmental activities - Most of the City's basic services are included here, such as the police, fire, public works, court, streets, recreation, library, solid waste disposal, parks departments, and general administration. Property taxes, state-shared revenue, charges for services, and court revenues provide most of the funding.
- Business-type activities - The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and sewer system and automobile parking system are treated as business-type activities.
- Component units - The City includes two other entities in its report, the Downtown Development Authority and the Downtown Management Board. Although legally separate, these "component units" are important because the City is financially accountable for them, including debt, which was issued on behalf of the authorities by the City.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The City Council establishes other funds to control and manage money for particular purposes.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Fund Financial Statements (Continued)

The City has three kinds of funds:

- **Governmental funds** - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- **Proprietary funds** - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long- and short-term financial information.
- **Fiduciary fund** - The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Financial Overview

East Lansing has combined net assets of \$77 million. Business-type activities comprise \$29 million, and governmental activities make up \$48 million of the total net assets. In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current assets	\$ 25,719,228	\$ 26,395,539	\$ 2,683,048	\$ 2,397,524	\$ 28,402,276	\$ 28,793,063
Capital assets	56,597,850	58,194,278	67,154,572	67,673,975	123,752,422	125,868,253
Investment in joint venture	-	-	3,250,625	3,279,487	3,250,625	3,279,487
Total assets	82,317,078	84,589,817	73,088,245	73,350,986	155,405,323	157,940,803
Current liabilities	6,261,518	6,335,439	4,088,676	3,761,583	10,350,194	10,097,022
Long-term liabilities	28,454,410	30,221,362	39,775,251	40,642,401	68,229,661	70,863,763
Total liabilities	34,715,928	36,556,801	43,863,927	44,403,984	78,579,855	80,960,785
Net assets:						
Invested in capital assets -						
Net of related debt	33,261,393	33,185,922	25,228,166	25,116,528	58,489,559	58,302,450
Restricted	2,766,897	2,532,583	-	-	2,766,897	2,532,583
Unrestricted (deficit)	11,572,860	12,314,511	3,996,152	3,830,474	15,569,012	16,144,985
Total net assets	\$ 47,601,150	\$ 48,033,016	\$ 29,224,318	\$ 28,947,002	\$ 76,825,468	\$ 76,980,018

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Financial Overview (Continued)

The net assets did not change much in total, only a \$155,000 decrease or 0.2 percent. Business-type activities' net assets increased by \$277,000 or 0.9 percent, while governmental activities decreased \$432,000 or 0.9 percent. These changes are small and balances are relatively consistent with last year.

The following table shows the changes in net assets for 2004:

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenue						
Program revenue:						
Charges for services	\$ 12,569,087	\$ 12,364,763	\$ 12,839,430	\$ 12,355,940	\$ 25,408,517	\$ 24,720,703
Operating grants and contributions	4,027,903	3,599,603	-	-	4,027,903	3,599,603
Capital grants and contributions	-	13,200	486,286	2,178,861	486,286	2,192,061
General revenue:						
Property taxes	14,856,993	13,619,149	-	-	14,856,993	13,619,149
State-shared revenue	6,134,877	6,226,654	-	-	6,134,877	6,226,654
Unrestricted investment earnings	144,219	281,156	1,832	13,593	146,051	294,749
Unrestricted franchise fees	318,825	340,924	-	-	318,825	340,924
Miscellaneous	485,311	154,630	-	-	485,311	154,630
Total revenue	38,537,215	36,600,079	13,327,548	14,548,394	51,864,763	51,148,473
Program Expenses						
General government	7,537,175	7,879,986	-	-	7,537,175	7,879,986
Public safety	15,222,360	15,093,059	-	-	15,222,360	15,093,059
Public works	6,848,258	6,601,695	-	-	6,848,258	6,601,695
Health and welfare	164,365	225,145	-	-	164,365	225,145
Community and economic development	963,337	836,780	-	-	963,337	836,780
Recreation and culture	7,104,655	7,599,572	-	-	7,104,655	7,599,572
Interest on long-term debt	1,128,930	1,250,034	-	-	1,128,930	1,250,034
Water	-	-	3,089,991	2,440,978	3,089,991	2,440,978
Sewer	-	-	6,432,431	6,453,003	6,432,431	6,453,003
Parking	-	-	3,527,810	3,406,173	3,527,810	3,406,173
Total program expenses	38,969,080	39,486,271	13,050,232	12,300,154	52,019,312	51,786,425
Change in Net Assets	(431,865)	(2,886,192)	277,316	2,248,240	(154,549)	(637,952)
Net Assets - Beginning of year	48,033,015	50,919,208	28,947,002	26,698,762	76,980,017	77,617,970
Net Assets - End of year	\$ 47,601,150	\$ 48,033,016	\$ 29,224,318	\$ 28,947,002	\$ 76,825,468	\$ 76,980,018

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

Revenues for governmental activities totaled \$39 million in 2004. A total of \$14.9 million was in the form of property tax collections that reflect no increase in the total millage rate, but an increase of \$50 million in taxable value or 7.2 percent due to new construction and increases in existing properties. State-shared revenues continue to be of concern. While they provided \$6.1 million in 2004, this is almost a \$100,000 decrease from 2003 and a \$900,000 decrease from 2002. The state has passed their budget for 2005 which was adopted showing revenue sharing to be flat. Charges for services generated \$12.6 million.

Business-Type Activities

East Lansing has three business-type activities. These include the water, sewer, and automobile parking operations. Revenues for business-type activities were \$13 million. The City purchases water from the East Lansing Meridian Water Sewer Authority and water is distributed by the City through mains to customers. The City operates the Wastewater Treatment Plant, which serves not only the City, but also Michigan State University and Meridian Township through contracts. City customers are billed quarterly for water and sewer service based on water consumption.

The Automobile Parking system consists of four attended parking ramps, two attended parking lots, four metered lots and various street meters all in the downtown. Parking revenue includes monthly permits, transient parking (spitter tickets), merchant validations, and meter revenues.

Current Economic Events

As of the date of this letter, several issues are worth noting in evaluating the financial condition of East Lansing. East Lansing issued up to \$9,605,000 limited general obligation bonds for Phase C of the Combined Sewer Overflow Abatement project. This phase consists of a 2.6 million gallon retention/treatment basin. This bond was sold to the Michigan Municipal Bond Authority at 2.125 percent interest. Bond proceeds from the Bond Authority are being drawn down as needed to pay for the basin construction. Although these bonds did not need to be rated, the City has maintained its AA rating from both Standard & Poors and Fitch Investor Services.

Last year, the City borrowed \$6,860,000 to purchase land and build a new public works building. Land has been purchased, plans completed, and construction is underway. Due to soil conditions and rising steel and other construction costs, a second borrowing for up to \$2.5 million is underway. The borrowing should be completed by the end of the calendar year 2004. For more information on long term debt and capital asset activity, please refer to Note 5 and Note 7 on pages 32 and 36.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Current Economic Events (Continued)

East Lansing continues to experience significant growth in the community. This is seen in a continually strong housing market, as well as new construction growth. The City has seen over \$30 million in new construction growth in each of the last four years. Through various Act 425 Agreements, the City has expanded its boundaries by over two square miles over the last four years.

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budgeting problems, and as they look for solutions, revenue sharing continues to be under attack. Revenue sharing has declined from \$7 million in 2001 to \$6.1 million in 2004. The State Legislature has approved the Governor's 2005 budget which indicates revenue sharing will remain flat at \$6.1 million which is what the City had budgeted for 2005.

Another budgetary concern is fire protection reimbursement. Under PA289 of 1978, the State is to reimburse municipalities for providing fire protection services for state owned facilities in their jurisdictions. In our case, we get fire reimbursement for Michigan State University and the State Police Headquarters. The State has never fully reimbursed municipalities. Given the State economy, this reimbursement has been cut from \$900,000 + annually in 2000, 2001, and 2002 to approximately \$450,000 in 2003 and 2004. The legislature adopted the 2005 Governor's budget which should restore fire reimbursement to the \$900,000 level.

Financial Analysis of City Funds and Budgets

The General Fund ended 2004 with an undesignated fund balance of \$2,441,169 (compared to \$2,302,040 in 2003), with another \$949,531 designated for appropriation in FY2005 or set aside for special purposes. Several factors affected operating results. Property taxes exceeded budget by \$231,000 due to higher taxable value from new construction. Licenses and permits exceeded budget by \$344,000 due to more building permits resulting from increased construction activity. Intergovernmental revenue was lower than budget by \$188,000 due to the sluggish Michigan economy. Interest income was also below budget by \$107,000 due to the poor investment market as a result of the economy.

The General Fund budget is amended throughout the year as deemed necessary. This is primarily done to prevent over expenditures. With that in mind, the General Fund expenditures were 98.7 percent of budget. The largest under budget area was General Government, which was \$188,000 or 2.3 percent below the budget.

City of East Lansing, Michigan

Management's Discussion and Analysis (Continued)

Capital Projects

The City finished one capital project in 2004. The soccer complex concession stand and rest rooms were completed together with related amenities. The new public works facility construction is underway. The City started the retention basin for the combined sewer overflow abatement program in the Sewer Fund.

Contact Us

This report is intended to aid our residents and other interested parties in understanding the City's financial condition. Should you have further questions, please contact the Finance Department at City Hall.

Basic Financial Statements

City of East Lansing, Michigan

Statement of Net Assets June 30, 2004

	Primary Government			Component
	Governmental	Business-Type	Total	Units
	Activities	Activities		
Assets				
Cash and investments (Note 3)	\$ 12,655,825	\$ 294,411	\$ 12,950,236	\$ 38,452
Receivables - Net (Note 4)	5,683,300	1,281,273	6,964,573	310,205
Due from other governmental units	1,338,120	461,612	1,799,732	99,188
Inventories	297,944	187,263	485,207	-
Restricted assets (Note 8)	5,744,039	96,900	5,840,939	-
Net investment in East Lansing-Meridian				
Water & Sewer Authority	-	3,250,625	3,250,625	-
Capital assets - Net (Note 5):				
Assets not subject to depreciation	5,994,028	8,785,777	14,779,805	-
Assets subject to depreciation	50,603,822	58,368,795	108,972,617	664,634
Bond refinancing issue costs	-	361,589	361,589	-
Total assets	82,317,078	73,088,245	155,405,323	1,112,479
Liabilities				
Accounts payable	1,385,464	1,149,518	2,534,982	131,818
Accrued and other liabilities	1,304,752	501,869	1,806,621	-
Due to other governmental units	-	18,234	18,234	-
Noncurrent liabilities (Note 7):				
Due within one year	3,571,302	2,419,055	5,990,357	-
Due in more than one year	28,454,410	39,775,251	68,229,661	700,000
Total liabilities	34,715,928	43,863,927	78,579,855	831,818
Net Assets				
Invested in capital assets - Net of related debt	33,261,393	25,228,166	58,489,559	(35,366)
Restricted:				
Streets and highways	1,682,926	-	1,682,926	-
Debt service	4,420	-	4,420	-
Capital projects	343,224	-	343,224	-
Solid waste	715,778	-	715,778	-
Arts	20,549	-	20,549	-
Unrestricted	11,572,860	3,996,152	15,569,012	316,027
Total net assets	\$ 47,601,150	\$ 29,224,318	\$ 76,825,468	\$ 280,661

City of East Lansing, Michigan

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and	and
			Contributions	Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 7,537,175	\$ 5,145,389	\$ -	\$ -
Public safety	15,222,360	4,211,383	124,864	-
Public works	6,848,258	853,171	2,728,539	-
Health and welfare	164,365	-	-	-
Community and economic development	963,337	73,064	819,831	-
Culture and recreation	7,104,655	2,286,080	354,669	-
Interest on long-term debt	1,128,930	-	-	-
Total governmental activities	38,969,080	12,569,087	4,027,903	-
Business-type activities:				
Water	3,089,991	2,644,141	-	243,143
Sewer	6,432,431	6,542,972	-	243,143
Parking	3,527,810	3,652,317	-	-
Total business-type activities	13,050,232	12,839,430	-	486,286
Total primary government	<u>\$ 52,019,312</u>	<u>\$ 25,408,517</u>	<u>\$ 4,027,903</u>	<u>\$ 486,286</u>
Component units:				
Downtown Development Authority	\$ 1,128,314	\$ 77,207	\$ -	\$ 103,738
Downtown Management Board	49,190	-	-	-
Total component units	<u>\$ 1,177,504</u>	<u>\$ 77,207</u>	<u>\$ -</u>	<u>\$ 103,738</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Unrestricted franchise fees				
Miscellaneous				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2004

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ (2,391,786)	\$ -	\$ (2,391,786)	\$ -
(10,886,113)	-	(10,886,113)	-
(3,266,548)	-	(3,266,548)	-
(164,365)	-	(164,365)	-
(70,442)	-	(70,442)	-
(4,463,906)	-	(4,463,906)	-
(1,128,930)	-	(1,128,930)	-
(22,372,090)	-	(22,372,090)	-
-	(202,707)	(202,707)	-
-	353,684	353,684	-
-	124,507	124,507	-
-	275,484	275,484	-
(22,372,090)	275,484	(22,096,606)	-
-	-	-	(947,369)
-	-	-	(49,190)
-	-	-	(996,559)
14,856,993	-	14,856,993	804,237
6,134,877	-	6,134,877	-
144,219	1,832	146,051	1,822
318,825	-	318,825	-
485,311	-	485,311	-
21,940,225	1,832	21,942,057	806,059
(431,865)	277,316	(154,549)	(190,500)
48,033,015	28,947,002	76,980,017	471,161
\$ 47,601,150	\$ 29,224,318	\$ 76,825,468	\$ 280,661

City of East Lansing, Michigan

Governmental Funds Balance Sheet June 30, 2004

	General	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Cash and investments (Note 3)	\$ 3,378,616	\$ 3,149,166	\$ 6,527,782
Receivables - Net (Note 4)	5,002,369	40,284	5,042,653
Due from other governmental units	1,058,565	279,555	1,338,120
Inventories	15,690	23,462	39,152
Total assets	<u>\$ 9,455,240</u>	<u>\$ 3,492,467</u>	<u>\$ 12,947,707</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 191,042	\$ 421,097	\$ 612,139
Accrued and other liabilities	448,448	104,368	552,816
Deferred revenue (Note 4)	5,330,240	-	5,330,240
Total liabilities	5,969,730	525,465	6,495,195
Fund Balances			
Reserved for:			
Encumbrances	79,120	142,255	221,375
Inventories	15,690	23,462	39,152
Unreserved, reported in:			
General Fund:			
Designated (Note 13)	949,531	-	949,531
Undesignated	2,441,169	-	2,441,169
Special Revenue Funds:			
Designated (Note 13)	-	632,736	632,736
Undesignated	-	1,855,246	1,855,246
Debt Service Funds	-	4,420	4,420
Capital Projects Funds:			
Designated (Note 13)	-	308,883	308,883
Total fund balances	<u>3,485,510</u>	<u>2,967,002</u>	<u>6,452,512</u>
Total liabilities and fund balances	<u>\$ 9,455,240</u>	<u>\$ 3,492,467</u>	<u>\$ 12,947,707</u>

City of East Lansing, Michigan

Governmental Funds Reconciliation of Fund Balances to the Statement of Net Assets June 30, 2004

Total Fund Balances for Governmental Funds	\$ 6,452,512
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Amounts reported for governmental activities in the statement of activities are different because:

Capital assets used in governmental activities are not financial resources, and are not reported in the funds	56,597,850
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectable within 60 days of year end.	5,330,240
Long-term liabilities not due and payable in the current period and are not reported in the funds	(32,025,712)
Internal Service Funds are also included as governmental activities, net of amounts included above as capital assets and long-term liabilities	<u>11,246,260</u>

Net Assets of Governmental Activities	<u>\$ 47,601,150</u>
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City of East Lansing, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2004

	General	Non-Major Governmental Funds	Total Governmental Funds
Revenue			
Property taxes	\$ 14,436,027	\$ 1,154,546	\$ 15,590,573
Licenses and permits	1,479,698	-	1,479,698
Federal grants	228,902	829,781	1,058,683
State-shared revenues (and grants)	6,627,261	3,122,980	9,750,241
Intergovernmental revenue	-	540,402	540,402
Charges for services	3,775,810	2,207,621	5,983,431
Fines and forfeitures	3,165,875	42,976	3,208,851
Interest and rentals	100,765	303,792	404,557
Other	999,224	518,557	1,517,781
Total revenue	30,813,562	8,720,655	39,534,217
Expenditures			
Current:			
General government	7,671,669	-	7,671,669
Public safety	14,840,403	-	14,840,403
Public works	750,554	4,473,391	5,223,945
Health & Welfare & Community development	170,243	947,831	1,118,074
Culture and recreation	1,320,180	5,227,387	6,547,567
Capital outlay	-	891,663	891,663
Debt service	-	2,789,909	2,789,909
Total expenditures	24,753,049	14,330,181	39,083,230
Excess of Revenue Over (Under) Expenditures	6,060,513	(5,609,526)	450,987
Other Financing Sources (Uses)			
Transfers in (Note 6)	-	6,908,950	6,908,950
Transfers out (Note 6)	(5,447,090)	(1,461,860)	(6,908,950)
Total other financing sources (uses)	(5,447,090)	5,447,090	-
Change in Fund Balances	613,423	(162,436)	450,987
Fund Balances - Beginning of year	2,872,087	3,129,438	6,001,525
Fund Balances - End of year	<u>\$ 3,485,510</u>	<u>\$ 2,967,002</u>	<u>\$ 6,452,512</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

City of East Lansing, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2004

Net Change in Fund Balances - Total governmental funds \$ 450,987

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay incurred in the current year	1,308,741
Depreciation	(2,967,327)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(733,580)
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Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	241,801
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,673,709
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Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities	(164,395)
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Internal Service Funds are also included as governmental activities	(241,801)
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Change in Net Assets of Governmental Activities \$ (431,865)

City of East Lansing, Michigan

Proprietary Funds Statement of Net Assets June 30, 2004

	Automobile Parking System Fund	Water Supply System Fund	Sewage Disposal System Fund	Total Enterprise Funds	Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents (Note 3)	\$ 3,045	\$ -	\$ 291,366	\$ 294,411	\$ 6,128,043
Receivables - Net (Note 4)	32,064	548,969	700,240	1,281,273	640,647
Due from other governmental units	99,188	-	362,424	461,612	-
Inventories	-	165,892	21,371	187,263	258,792
Total current assets	134,297	714,861	1,375,401	2,224,559	7,027,482
Noncurrent assets:					
Restricted assets (Note 8)	-	-	96,900	96,900	5,744,039
Investment in East Lansing-Meridian Water and Sewer Authority	-	3,250,625	-	3,250,625	-
Capital assets (Note 5)	26,429,363	6,433,630	34,291,579	67,154,572	4,355,730
Bond refinancing issue costs	361,589	-	-	361,589	-
Total noncurrent assets	26,790,952	9,684,255	34,388,479	70,863,686	10,099,769
Total assets	26,925,249	10,399,116	35,763,880	73,088,245	17,127,251
Liabilities					
Current liabilities:					
Accounts payable	327,103	417,615	404,800	1,149,518	773,325
Accrued and other liabilities	24,882	20,783	36,954	82,619	61,056
Claims payable	-	-	-	-	408,522
Accrued interest payable	293,226	1,366	124,658	419,250	-
Due to other governmental units	-	-	18,234	18,234	-
Current portion of long-term debt (Note 7):					
Compensated absences	16,040	-	118,015	134,055	215,288
Bonds payable	1,100,000	-	1,185,000	2,285,000	195,000
Total current liabilities	1,761,251	439,764	1,887,661	4,088,676	1,653,191
Noncurrent liabilities, net of the current portion (Note 7):					
Compensated absences	30,168	-	6,781	36,949	220,481
Bonds payable	21,709,519	-	18,028,783	39,738,302	6,580,496
Total noncurrent liabilities	21,739,687	-	18,035,564	39,775,251	6,800,977
Total liabilities	23,500,938	439,764	19,923,225	43,863,927	8,454,168
Net Assets					
Investment in capital assets -					
Net of related debt	3,619,844	6,433,630	15,174,696	25,228,170	3,519,273
Unrestricted	(195,533)	3,525,722	665,959	3,996,148	5,153,810
Total net assets	<u>\$ 3,424,311</u>	<u>\$ 9,959,352</u>	<u>\$ 15,840,655</u>	<u>\$ 29,224,318</u>	<u>\$ 8,673,083</u>

City of East Lansing, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2004

	Automobile Parking System Fund	Water Supply System Fund	Sewage Disposal System Fund	Total Enterprise Funds	Internal Service Funds
Operating Revenue					
Parking revenue	\$ 3,070,438	\$ -	\$ -	\$ 3,070,438	\$ -
User service charges	-	2,644,141	6,542,972	9,187,113	5,711,109
Equipment and building rental	62,951	-	-	62,951	1,980,819
Other charges for services	-	-	-	-	50,510
Total operating revenue	3,133,389	2,644,141	6,542,972	12,320,502	7,742,438
Operating Expenses					
Purchase of water from East Lansing - Meridian Water and Sewer Authority	-	1,003,810	-	1,003,810	-
Disposal plant	-	-	3,437,540	3,437,540	-
Distribution	-	1,164,577	-	1,164,577	-
Collection system	-	-	801,343	801,343	-
Pumping station	-	-	47,121	47,121	-
Customer accounts and collection	-	417,282	-	417,282	-
General and administrative	1,607,152	104,180	396,125	2,107,457	7,006,050
Depreciation and amortization	664,290	178,600	1,465,657	2,308,547	933,314
Total operating expenses	2,271,442	2,868,449	6,147,786	11,287,677	7,939,364
Operating Income (Loss)	861,947	(224,308)	395,186	1,032,825	(196,926)
Nonoperating Revenue (Expenses)					
Interest income	-	-	1,832	1,832	180,883
Interest expense	(1,256,368)	(2,113)	(284,645)	(1,543,126)	(259,809)
Contribution from DDA	518,928	-	-	518,928	-
Gain on sale of assets	-	-	-	-	34,053
Loss from joint venture, including payments for interest	-	(219,429)	-	(219,429)	-
Total nonoperating revenue (expenses)	(737,440)	(221,542)	(282,813)	(1,241,795)	(44,873)
Income (Loss) - Before contributions	124,507	(445,850)	112,373	(208,970)	(241,799)
Capital Contributions	-	243,143	243,143	486,286	-
Change in Net Assets	124,507	(202,707)	355,516	277,316	(241,799)
Net Assets - Beginning of year	3,299,804	10,162,059	15,485,139	28,947,002	8,914,882
Net Assets - End of year	<u>\$ 3,424,311</u>	<u>\$ 9,959,352</u>	<u>\$ 15,840,655</u>	<u>\$ 29,224,318</u>	<u>\$ 8,673,083</u>

City of East Lansing, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2004

	Automobile Parking System Fund	Water Supply System Fund	Sewage Disposal System Fund	Total Enterprise Funds	Internal Service Funds
Cash Flows From Operating Activities					
Receipts from customers	\$ 3,056,915	\$ 2,758,866	\$ 6,267,194	\$ 12,082,975	\$ 7,758,936
Payments to suppliers	(526,802)	(2,123,412)	(4,691,242)	(7,341,456)	(2,076,006)
Claims Paid	-	-	-	-	(4,745,589)
Payments to employees	(961,580)	(292,776)	(130,626)	(1,384,982)	(531,745)
Payments from other funds	-	(150,000)	-	(150,000)	-
Net cash provided by operating activities	1,568,533	192,678	1,445,326	3,206,537	405,596
Cash Flows From Capital and Related Financing Activities					
Principal and interest paid on long-term debt	(2,311,368)	-	(1,427,813)	(3,739,181)	(259,809)
Proceeds from issuance of long-term debt	-	-	1,392,690	-	-
Contribution from DDA	518,928	-	-	-	-
Purchase of capital assets	-	-	(1,275,046)	(1,275,046)	(753,673)
Proceeds from sale of capital assets	-	-	-	-	34,053
Payments to East Lansing-Meridian Water and sewer authority	-	(190,565)	-	(190,565)	-
Net cash used in capital and related financing activities	(1,792,440)	(190,565)	(1,310,169)	(3,293,174)	(979,429)
Cash Flows From Investing Activities					
Interest received on investments	20,055	(2,113)	2,762	20,704	180,883
Net Increase (Decrease) in Cash and Cash Equivalents	(203,852)	-	137,919	(65,933)	(392,950)
Cash and Cash Equivalents - Beginning of year	206,897	-	250,347	457,244	12,265,032
Cash and Cash Equivalents - End of year	<u>\$ 3,045</u>	<u>\$ -</u>	<u>\$ 388,266</u>	<u>\$ 391,311</u>	<u>\$ 11,872,082</u>
Reconciliation of Operating Income to Net Cash From Operating Activities					
Operating income (loss)	\$ 861,947	\$ (224,308)	\$ 395,186	\$ 1,032,825	\$ (196,926)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Amortization	27,814	-	-	27,814	-
Depreciation	636,476	178,600	1,465,657	2,280,733	933,314
Changes in assets and liabilities:					
Receivables	22,713	(100,685)	(120,026)	(197,998)	36,698
Due from other governmental units	(99,188)	215,410	(147,474)	(31,252)	-
Other assets	-	8,257	(8,278)	(21)	(20,200)
Accounts payable	121,381	262,288	(155,653)	228,016	248,835
Accrued interest payable	-	1,366	-	1,366	-
Accrued wages	7,951	-	7,210	15,161	19,674
Due to other governmental units	-	-	18,234	18,234	-
Other liabilities	(10,561)	1,750	(9,530)	(18,341)	(615,799)
Due to other funds	-	(150,000)	-	(150,000)	-
Net cash provided by operating activities	<u>\$ 1,568,533</u>	<u>\$ 192,678</u>	<u>\$ 1,445,326</u>	<u>\$ 3,206,537</u>	<u>\$ 405,596</u>

During 2004 and 2003, there were no non cash investing, capital, or financing activities.

City of East Lansing, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2004

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 773,300
Investments	346,814
Accounts receivable	<u>109,482</u>
 Total assets	 <u>\$ 1,229,596</u>
 Liabilities	
Accounts payable	\$ 5,173
Due to other governments	193,522
Accrued and other liabilities	<u>1,030,901</u>
 Total liabilities	 <u>\$ 1,229,596</u>

City of East Lansing, Michigan

Component Units Statement of Net Assets June 30, 2004

	Downtown Development Authority	Downtown Management Board	Totals
Assets			
Cash and investments (Note 3)	\$ 28,635	\$ 9,817	\$ 38,452
Other receivables	121,388	188,817	310,205
Due from other governmental units	99,188	-	99,188
Capital assets, net	<u>664,634</u>	<u>-</u>	<u>664,634</u>
Total assets	913,845	198,634	1,112,479
Liabilities			
Accounts payable	131,699	119	131,818
Bonds payable	<u>700,000</u>	<u>-</u>	<u>700,000</u>
Total liabilities	831,699	119	831,818
Net Assets			
Invested in capital assets - Net of related debt	(35,366)	-	(35,366)
Unrestricted	<u>117,512</u>	<u>198,515</u>	<u>316,027</u>
Total net assets	<u><u>\$ 82,146</u></u>	<u><u>\$ 198,515</u></u>	<u><u>\$ 280,661</u></u>

City of East Lansing, Michigan

		Program Revenues	
		Charges for	Operating
	Expenses	Services	Grants/ Contributions
Downtown Development Authority	\$ 1,128,314	\$ 77,207	\$ 103,738
Downtown Management Board	49,190	-	-
Total component unit activities	<u>\$ 1,177,504</u>	<u>\$ 77,207</u>	<u>\$ 103,738</u>
General revenues:			
Property taxes			
Interest			
Total general revenues			
Change in Net Assets			
Net Assets - Beginning of year			
Net Assets - End of year			

**Component Units
Statement of Activities
Year Ended June 30, 2004**

Net (Expense) Revenue and Changes in Net Assets		
Downtown Development Authority	Downtown Management Board	Total
\$ (947,369)	\$ -	\$ (947,369)
-	(49,190)	(49,190)
(947,369)	(49,190)	(996,559)
804,237	-	804,237
1,549	273	1,822
-	-	-
805,786	273	806,059
(141,583)	(48,917)	(190,500)
223,729	247,432	471,161
<u>\$ 82,146</u>	<u>\$ 198,515</u>	<u>\$ 280,661</u>

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of East Lansing, Michigan (the City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of East Lansing, Michigan:

Reporting Entity

The City of East Lansing, Michigan is governed by an elected five-member Council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Discretely Presented Component Units - The following component units are reported within the component unit column in the combined financial statements. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

- a. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of 13 individuals, is appointed by the City Council. In addition, the Authority's budget is subject to approval by the City Council. The Authority's administrative office is 410 Abbott Road, East Lansing, MI 48823.
- b. The Downtown Management Board was formed by the City Council in accordance with Michigan Public Act 146 to market and promote the downtown, to maintain common areas of the downtown, and to recruit and retain business in the downtown. The Authority's governing body, which consists of nine individuals, is appointed by the City Council. In addition, the Authority's budget is subject to approval by the City Council. The Board's administrative office is 410 Abbott Road, East Lansing, MI 48823.

Note I - Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note I - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the City.

The government reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The Automobile Parking System Fund is used to account for revenue and expenses relating to street meters, metered parking lots, two attended parking lots, and four attended parking ramps. The Building Authority was used to construct the parking structure and its activities have been blended into the Automobile Parking System Fund.

The Water Supply System Fund is used to account for the purchase and distribution of water to East Lansing citizens. Treated water is purchased from the East Lansing - Meridian Water and Sewer Authority. User charges to customers based upon water consumption account for substantially all of the revenue of this fund.

The Sewage Disposal System Fund is used to account for the sewage collection system within the City and the wastewater treatment plant. Revenue consists of resident user fees and wastewater treatment payments by Michigan State University and Meridian Township.

Note 1 - Summary of Significant Accounting Policies (Continued)

Additionally, the City reports the following fund types:

Internal Service Funds account for financing of goods or services provided by one department or agency to other departments or agencies of the City, on a cost-reimbursement basis. The following activities are reported in internal service funds: self-insured workers compensation, medical benefits, retiree health care, operation and maintenance of the motor vehicle fleet, computers and equipment used by the various City departments.

The Agency Fund is used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds. The majority of the fund's assets are attributable to property tax collections.

Private sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989, for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewage Funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Note I - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes - All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

Property taxes billed each May will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at June 30, 2004. The 2003 taxable valuation of the City totaled \$748,896,010, on which ad valorem taxes levied consisted of 15.52 mills for the City's operating purposes, 1.59 for solid waste and 2.17 mills for special voted debt millages.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - Restricted assets represent unspent bond proceeds; the respective bond ordinances require these proceeds to be segregated and used only for the purposes of the bond issue.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2004

Note I - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 or an aggregate cost of more than \$20,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	50 years
Land improvements	20 to 30 years
Equipment	7 years
Infrastructure	15 to 50 years
Water and sewer mains	50 years
Library books and electronic resources	5 years
Vehicles	3 to 7 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Sick pay is accrued for employees eligible to retire who will be paid out when they separate from service with the City as well as an estimate for those employees that will become eligible to retire based on past results. Sick pay is accrued in the government-wide and proprietary fund financial statements.

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be re-appropriated and honored during the subsequent year. The General Fund, Special Revenue Funds, and Component Units budgets were amended by \$232,000, \$73,000 and \$90,175 respectively, subsequent to year end. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the General Fund is included in the required supplemental information. Budget comparisons for the budgeted non-major funds are included in other supplemental information. The Community Development Block Grant Fund has been budgeted over the life of the projects and, therefore, their financial activity has been omitted from the budget statement.

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in instruments that are acceptable under Michigan Public Act 20 of 1943 as amended. In addition, the City imposes other restrictions on allowable investments. To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool, except that the Agency Fund investment earnings are allocated to the General Fund.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2004

Note 3 - Deposits and Investments (Continued)

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Fiduciary Fund	Total Primary Government	Component Units
Cash and investments	\$ 12,655,825	\$ 294,411	\$ 1,120,114	\$ 14,070,350	\$ 38,452
Restricted assets (Note 8)	<u>5,744,039</u>	<u>96,900</u>	<u>-</u>	<u>5,840,939</u>	<u>-</u>
Total	<u>\$ 18,399,864</u>	<u>\$ 391,311</u>	<u>\$ 1,120,114</u>	<u>\$ 19,911,289</u>	<u>\$ 38,452</u>

The breakdown between deposits and investments for the City is as follows:

	Primary Government	Component Units
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 12,651,098	\$ 38,452
Investments in U. S. government securities	6,971,194	
Investments in bank investment pools	281,081	-
Petty cash or cash on hand	<u>7,916</u>	<u>-</u>
Total	<u>\$ 19,911,289</u>	<u>\$ 38,452</u>

The bank balance of the City's deposits is \$16,568,079, of which \$1,500,000 is covered by federal depository insurance and the remainder was uninsured and uncollateralized. The component units' deposits had a bank balance of \$38,452, of which \$38,452 is covered by federal depository insurance, and the remainder was uninsured and uncollateralized.

The U. S. government securities are categorized as insured, registered, or held by the City or its agent in the City's name in order to reduce the custodial risk to a minimum. The investments in bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. These are regulated by the Michigan Banking Act. The fair value of the position in the bank investment pools is the same as the value of the pool shares.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2004

Note 4 - Receivables

Receivables as of year end for the City's individual major funds and the nonmajor, Internal Service, and fiduciary fund in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Automobile Parking System Fund	Water Supply System Fund	Sewage Disposal System Fund	Nonmajor and Other Funds	Total
Receivables:						
Taxes	\$ 68,636	\$ -	\$ -	\$ -	\$ 90,622	\$ 159,258
Accounts	77,752	32,064	548,969	699,273	105,664	1,463,722
Special assessments	4,603,321	-	-	-	501,817	5,105,138
Interest and other	357,881	-	-	967	110,144	468,992
Less allowance for uncollectibles	<u>(105,221)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,834)</u>	<u>(123,055)</u>
Net receivables	<u>\$ 5,002,369</u>	<u>\$ 32,064</u>	<u>\$ 548,969</u>	<u>\$ 700,240</u>	<u>\$ 790,413</u>	<u>\$ 7,074,055</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Special assessments	<u>\$ 5,330,240</u>	<u>\$ -</u>
Total	<u>\$ 5,330,240</u>	<u>\$ -</u>

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2004

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

Governmental Activities	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
Capital assets not being depreciated:				
Land	\$ 5,594,227	\$ 36,167	\$ -	\$ 5,630,394
Construction in progress	105,970	257,664	-	363,634
Subtotal	5,700,197	293,831	-	5,994,028
Capital assets being depreciated:				
Land Improvements	4,497,700	115,900	-	4,613,600
Buildings and improvements	25,037,658	308,526	-	25,346,184
Vehicles	5,794,427	233,677	75,585	5,952,519
Equipment	7,949,065	537,109	-	8,486,174
Library books and electronic resources	1,025,609	162,950	158,427	1,030,132
Traffic signals	1,322,160	-	-	1,322,160
Streets	32,326,226	352,955	-	32,679,181
Decorative street lights	1,237,744	-	-	1,237,744
Pathways	-	39,366	-	39,366
Sidewalks	-	8,134	-	8,134
Bridges	772,735	-	-	772,735
Subtotal	79,963,324	1,758,617	234,012	81,487,929
Accumulated depreciation:				
Land Improvements	851,044	225,861	-	1,076,905
Buildings and improvements	5,093,533	505,102	-	5,598,635
Vehicles	3,324,626	717,041	75,585	3,966,082
Equipment	6,467,783	545,566	-	7,013,349
Library books and electronic resources	584,010	173,731	158,427	599,314
Traffic signals	620,489	82,350	-	702,839
Streets	9,947,689	1,300,109	-	11,247,798
Decorative street lights	433,628	82,542	-	516,170
Pathways	-	984	-	984
Sidewalks	-	136	-	136
Bridges	146,441	15,454	-	161,895
Subtotal	27,469,243	3,648,876	234,012	30,884,107
Net capital assets being depreciated	52,494,081	(1,890,259)	-	50,603,822
Net capital assets	\$ 58,194,278	\$ (1,596,428)	\$ -	\$ 56,597,850

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2004

Note 5 - Capital Assets (Continued)

Business-Type Activities	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
Capital assets not being depreciated:				
Land	\$ 2,186,695	\$ -	\$ -	\$ 2,186,695
Construction in progress	5,450,394	1,148,688	-	6,599,082
Subtotal	7,637,089	1,148,688	-	8,785,777
Capital assets being depreciated:				
Buildings and building improvements	47,870,584	-	-	47,870,584
Water and sewer mains	37,342,846	486,285	(371,655)	38,200,786
Equipment	2,208,634	126,358	371,655	1,963,337
Subtotal	87,422,064	612,643	-	88,034,707
Accumulated depreciation:				
Buildings and building improvements	17,944,822	1,080,151	-	19,024,973
Water and sewer mains	8,472,273	1,048,556	-	9,520,829
Equipment	968,083	152,027	-	1,120,110
Subtotal	27,385,178	2,280,734	-	29,665,912
Net capital assets being depreciated	60,036,886	(1,668,091)	-	58,368,795
Net capital assets	<u>\$ 67,673,975</u>	<u>\$ (519,403)</u>	<u>\$ -</u>	<u>\$ 67,154,572</u>

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2004

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 225,435
Library	76,536
Public safety	151,523
Public works	1,549,420
Community and Economic Development	1,510
Recreation and Culture	711,138
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>933,314</u>

Total governmental activities	<u><u>\$ 3,648,876</u></u>
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Business-type activities:

Water	\$ 178,969
Sewer	1,461,911
Parking	<u>639,854</u>

Total business-type activities	<u><u>\$ 2,280,734</u></u>
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Construction Commitments - The City has active construction projects at year end. The projects include the Local Street maintenance contracts, Coolidge/Coleman Road Special Assessment bond issue, sewer repair projects, and the combined sewer overflow project design. At year end, the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Street projects	\$ 1,421,897	\$ 226,209
Other projects	137,083	15,639
Combined sewer overflow project	<u>1,374,261</u>	<u>7,822,477</u>
Total	<u><u>\$ 2,933,241</u></u>	<u><u>\$ 8,064,325</u></u>

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2004

Note 6 - Interfund Transfers

Interfund transfers for the year ended June 30, 2004, consisted of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Library Fund	\$ 1,322,055
	Senior Fund	144,161
	Parks and Recreation Fund	1,314,085
	Debt Service Fund	2,328,789
	Capital Projects Fund Parks	<u>338,000</u>
Subtotal		5,447,090
Major Streets Fund	Local Streets Fund	1,037,000
Local Streets Fund	Capital Projects Fund	237,000
Library Fund	Debt Service Fund	<u>187,860</u>
Subtotal		1,461,860
Total interfund transfers		<u><u>\$ 6,908,950</u></u>

Transfers are used to provide resources from unrestricted general fund revenues to finance various programs accounted for in other funds, in accordance with budgetary authorizations. In addition, the Major Streets Fund is allowed under Act 51 to share a portion of its gas and weight tax revenues with the Local Streets Fund. The Library Fund's transfer is used to move funds collected by the Library Fund to the Debt Service Fund as debt service payments come due.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2004

Note 7 - Long-Term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity can be summarized as follows:

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Due Within One Year
Governmental Activities					
General obligation bonds:					
Unlimited Tax Refunding Bonds	\$ 1,470,000	\$ -	\$ 270,000	\$ 1,200,000	\$ 280,000
Unlimited Tax Bonds Series A (1996)	3,990,000	-	215,000	3,775,000	230,000
Unlimited Tax Bonds Series B (1998)	7,920,000	-	345,000	7,575,000	360,000
Unlimited Tax Bonds Series (1999)	1,390,000	-	55,000	1,335,000	60,000
Limited Tax Downtown Development Bonds (2000)	3,540,000	-	10,000	3,530,000	70,000
2003 Public Service Garage Bonds	6,860,000	-	-	6,860,000	195,000
Less deferred charge on refunding	(84,504)	-	-	(84,504)	-
Special assessment bonds:					
Proctor Drain Bonds Series 1998	45,894	-	45,894	-	-
Bond Series A (1998)	495,000	-	100,000	395,000	100,000
Bond Series B (1998)	250,000	-	50,000	200,000	50,000
Bond Series (2002)	4,865,000	-	570,000	4,295,000	560,000
Other Long-Term Obligations:					
Compensated absences	2,746,062	199,154	-	2,945,216	1,666,302
Total governmental activities	<u>\$ 33,487,452</u>	<u>\$ 199,154</u>	<u>\$ 1,660,894</u>	<u>\$ 32,025,712</u>	<u>\$ 3,571,302</u>

The Limited Tax Downtown Development Bonds (2000) are intended to be funded by contributions from the Downtown Development Authority.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2004

Note 7 - Long-Term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities					
General obligation bonds:					
Unlimited Tax Refunding Bonds, Series					
A 1993	\$ 490,000	\$ -	\$ 155,000	\$ 335,000	\$ 160,000
Limited Tax Building Authority					
Refunding Bonds Series 1999	7,970,000	-	420,000	7,550,000	435,000
Limited Tax Bonds Series 1994 - CSO	4,410,000	-	275,000	4,135,000	280,000
Limited Tax Bonds Series 1995 - CSO	9,440,000	-	580,000	8,860,000	595,000
Limited Tax Bonds Series 1996	2,885,000	-	145,000	2,740,000	155,000
Building Authority Bonds 1997	830,000	-	35,000	795,000	35,000
Building Authority Bonds 2000	11,940,000	-	300,000	11,640,000	315,000
Limited Tax Certificates of					
Participation 2001	2,635,000	-	155,000	2,480,000	165,000
Limited Tax Bonds Series 2000	595,000	-	20,000	575,000	25,000
Limited Tax Certificates of					
Participation 2001B	1,935,000	-	115,000	1,820,000	120,000
Limited Tax Bond Series 2004 - CSO	-	1,392,690	-	1,392,690	-
Less deferred charge on refunding	(322,206)	-	(22,820)	(299,384)	-
Other Long-Term Obligations:					
Compensated absences	168,660	2,344	-	171,004	134,055
Total business-type activities	<u>\$ 42,976,454</u>	<u>\$ 1,395,034</u>	<u>\$ 2,177,180</u>	<u>\$ 42,194,310</u>	<u>\$ 2,419,055</u>
Downtown Development Authority -					
Installment loan agreement - Building	<u>\$ 700,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 700,000</u>	<u>\$ -</u>

The City has entered into an agreement to sell up to \$9,605,000 in General Obligation Limited Tax Bonds to the Michigan Municipal Bond Authority in order to pay for the Phase C-Combined Sewer Overflow Control Facility consisting of a 2.6 million gallon retention/treatment basin. Interest payments on the loan begin in October 2004. The loan principal will be repaid over 20 years in yearly installments beginning in 2006. As of June 30, 2004, the outstanding loan balance is \$1,392,690. As of June 30, 2004, any future payments on this debt have been excluded from the annual debt service requirements shown below since the City has not and may not borrow the entire debt amount.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2004

Note 7 - Long-Term Debt (Continued)

Annual debt service requirements to maturity for the above obligations (excluding compensated absences) are as follows:

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 1,905,000	\$ 1,364,616	\$ 3,269,616	\$ 2,285,000	\$ 1,680,788	\$ 3,965,788
2006	1,950,000	1,280,206	3,230,206	2,365,000	1,596,720	3,961,720
2007	1,995,000	1,192,216	3,187,216	2,265,000	1,512,324	3,777,324
2008	2,025,000	1,099,389	3,124,389	2,355,000	1,427,680	3,782,680
2009	1,605,000	1,015,341	2,620,341	2,435,000	1,338,887	3,773,887
2010-2014	7,795,000	3,974,155	11,769,155	13,715,000	5,201,193	18,916,193
2015-2019	6,755,000	2,276,259	9,031,259	10,700,000	2,316,545	13,016,545
2020-2024	3,155,000	1,090,144	4,245,144	3,910,000	890,936	4,800,936
2025-2028	1,980,000	218,788	2,198,788	900,000	48,375	948,375
Total	<u>\$ 29,165,000</u>	<u>\$ 13,511,114</u>	<u>\$ 42,676,114</u>	<u>\$ 40,930,000</u>	<u>\$ 16,013,448</u>	<u>\$ 56,943,448</u>

Note 8 - Restricted Assets

Restricted assets consist of cash and investments, as follows:

	Governmental Activities	Business-Type Activities
Unspent bond proceeds and related interest	<u>\$ 5,744,039</u>	<u>\$ 96,900</u>

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2004

Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for property loss, torts, and errors and omissions claims. All eligible employees are covered by commercial health insurance. The City is self-insured for employees' injuries (workers' compensation) and retirees' medical claims. The City has purchased commercial stop-loss insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past 20 fiscal years.

The City estimates the liability for employee injuries (workers' compensation) and medical benefits claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. This liability is reported in the Insurance and Benefits Internal Service Fund and in governmental activities in the government-wide statements. Changes in the estimated liability for the past two fiscal years were as follows:

	2004	2003
Unpaid claims - Beginning of year	\$ 437,624	\$ 454,973
Incurred claims (including claims incurred but not reported)	4,004,058	3,200,385
Claim payments	(4,033,160)	(3,217,734)
Unpaid claims - End of year	<u>\$ 408,522</u>	<u>\$ 437,624</u>

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2004

Note 10 - Defined Benefit Pension Plan and Postretirement Benefits

Plan Description - The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1147 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 0 to 6.7 percent of gross wages for various bargaining units

Annual Pension Costs - For the year ended 2004, the City's annual pension cost of \$2,085,242 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0 investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 2.5 percent per year cost-of-living adjustments for police and fire. Both (a) and (b) include an inflation assumption of 4.5 percent per year. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Three-year trend information is as follows:

Fiscal Year Ended June 30:	2002	2003	2004
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 2,038,784	\$ 1,986,983	\$ 2,085,242
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-
Actuarial Valuation as of December 31:	2001	2002	2003
Actuarial value of assets	\$ 82,864,614	\$ 83,016,541	\$ 86,106,367
Actuarial accrued liability (entry age)	98,631,559	104,281,739	110,274,433
Unfunded AAL	15,766,945	21,265,198	24,168,066
Funded ratio	84	80	78
Covered payroll	14,892,035	14,932,647	14,934,354
UAAL as a percentage of covered payroll	106	142	162

Note 10 - Defined Benefit Pension Plan and Postretirement Benefits (Continued)

Defined Contribution Pension Plan

Effective November 1, 1999, the City provides pension benefits to its various non-union senior, non-union junior, UAW non-supervisory senior, UAW non-supervisory junior, and independent employees through a MERS defined contribution plan. The MERS defined contribution plan provides retirement and death benefits to plan members and their beneficiaries. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by negotiation with the City's competitive bargaining units, the City contributes 7.0 to 10.5 percent and employees contribute 0 to 3.5 percent of employees' gross earnings. In accordance with these requirements, the City contributed \$498,569 during the current year, and employees contributed \$163,872.

Postretirement Benefits

The City provides health care benefits to various employees in accordance with the various bargaining units' contracts upon retirement. Currently, 177 retirees are eligible. The City includes retirees and their spouses in either its commercial health insurance or its self-insured health care plan, with no contribution required by the participant. Expenditures for post-employment health care benefits are recognized as the claims are incurred or premiums are paid; during the year, this amounted to \$1,019,229. The City also is advance funding postretirement health care benefits on a basis which is not actuarially determined.

During the year ended June 30, 2004, there were no contributions for advance funding. At June 30, 2004, the net assets available for future benefit payments was \$1,708,703 and has been recorded in the Insurance and Benefits Fund (an Internal Service Fund type).

Upcoming reporting change - The Governmental Accounting Standards Board has recently released Statement Number 45, Accounting and Reporting by Employers for Post Employment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post employment benefits (other than pensions). The new rules will cause the government wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year beginning July 1, 2007.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2004

Note 11 - Joint Venture

East Lansing-Meridian Water and Sewer Authority

The City is a member of the East Lansing-Meridian Water and Sewer Authority, which provides water services to the residents of the City of East Lansing and the Charter Township of Meridian. The participating communities provide annual funding for its operations. During the current year, the City contributed \$1,194,590 for its operations and debt. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The City appoints three members to the joint venture's governing board, which then approves the annual budget. The following financial information of the joint venture is obtained from audited financial statements as of June 30, 2004. Complete financial statements for the East Lansing - Meridian Water and Sewer Authority can be obtained from the administrative offices at 410 Abbott Road, East Lansing, Michigan.

Total assets	\$ 9,210,806
Total liabilities	\$ 670,685
Total net assets	\$ 8,540,121
Total operating revenue	\$ 2,821,166
Total operating expenses	\$ 2,447,101
Increase in net assets	\$ 163,249
Total joint venture's outstanding debt	\$ 359,721

The contract between the City of East Lansing and the Authority provides that the City of East Lansing will pay to the Authority amounts sufficient to fund the principal and interest requirements on certain bond issues. The outstanding balance, as of June 30, 2004, on these bonds is \$360,000.

City of East Lansing, Michigan

Notes to Financial Statements June 30, 2004

Note 12 - Construction Code Fees

The City oversees building construction, in accordance with the state's construction code act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000, is as follows:

Surplus at July 1, 2003	\$ 142,112
Current year building permit revenue	739,731
Related expenses:	
Direct costs	<u>501,086</u>
Cumulative surplus at June 30, 2004	<u>\$ 380,757</u>

Only the direct costs have been applied toward the direct revenues for the past three fiscal years. Indirect costs, if added, would more than offset the cumulative surplus, therefore, the City has complied with the law.

Note 13 - Designated Fund Balance

Fund balances have been designated for the following purposes:

	General Fund	Special Revenue Funds	Capital Projects Fund
Appropriated for 2005 Budget	\$ 684,896	\$ 144,885	\$ -
Designated for special purposes	<u>264,635</u>	<u>487,851</u>	<u>308,883</u>
Total	<u>\$ 949,531</u>	<u>\$ 632,736</u>	<u>\$ 308,883</u>

Note 14 - Commitments

Subsequent to June 30, 2004, the City has committed to borrow up to \$2.5 million in additional Public Service Garage Bonds.

Required Supplemental Information

City of East Lansing, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Resources (Inflows)				
Taxes	\$ 14,204,690	\$ 14,204,690	\$ 14,436,027	\$ 231,337
Licenses and permits	1,484,800	1,134,800	1,479,698	344,898
Intergovernmental revenue	6,992,880	7,044,115	6,856,163	(187,952)
Charges for services	2,756,980	3,355,050	3,775,810	420,760
Fines	2,910,840	3,221,740	3,165,875	(55,865)
Investment income	208,000	208,000	100,765	(107,235)
Other revenue	908,635	998,130	999,224	1,094
Transfers in - Other funds	687,565	-	-	-
Other financing sources - Fund balance	60,580	444,294	-	(444,294)
Amounts available for appropriation	30,214,970	30,610,819	30,813,562	202,743
Charges to Appropriations (Outflows)				
General government	7,759,220	7,852,083	7,671,669	180,414
Public safety	15,241,280	14,952,711	14,840,403	112,308
Public works - Sanitation	173,625	175,340	137,388	37,952
Public works - Highway and streets	599,620	613,237	613,166	71
Health and welfare and community development	207,260	220,458	170,243	50,215
Culture and recreation	1,313,930	1,313,955	1,312,077	1,878
Other expenditures	30,000	30,000	8,103	21,897
Transfer out - Other funds	4,890,035	5,453,035	5,447,090	5,945
Total charges to appropriations	30,214,970	30,610,819	30,200,139	410,680
Fund Balance Reconciliation				
Fund balance - Beginning of the year	2,872,087	2,872,087	2,872,087	-
Change in fund balance	(60,580)	(444,294)	613,423	1,057,717
Fund balance - End of year	<u>\$ 2,811,507</u>	<u>\$ 2,427,793</u>	<u>\$ 3,485,510</u>	<u>\$ 1,057,717</u>

City of East Lansing, Michigan

Notes to Required Supplemental Information Year Ended June 30, 2004

Budgetary Information - The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. All annual appropriations lapse at fiscal year end.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, all Special Revenue Funds, and the Debt Service Fund, with the following exceptions:

- a. Fund balance appropriations are reported as a resource
- b. Transfers out to other funds are reported as a charge to appropriations

By the end of February each year, all department heads submit spending requests to the Finance Director so that a budget may be prepared. Before the first Council meeting in April, the proposed budget is submitted to the City Council for review. Public hearings are held, and a final budget is adopted no later than the second Council meeting in May. The City Council must approve any budget amendments. During the year, the City's budget was amended in a legally permissible manner. The budget is adopted on a functional basis. Although spending estimates are produced for each line item, budgetary control is exercised at the functional level. Expenditures at this level in excess of budget appropriation are a violation of Michigan law. Encumbrances represent commitments related to unperformed contracts or purchase orders for goods or services. Encumbrances are not included as expenditures or liabilities. Unexpended appropriations lapse at year end.

Other Supplemental Information

Nonmajor Governmental Funds

Major Street Fund - This fund is used to account for State gasoline and weight taxes allocated to the City for the maintenance and repair of approximately 20 miles of major street. Also recorded in this fund are expenditures for the repair and maintenance of eight miles of State highway trunklines, namely Michigan Avenue, Grand River Avenue, and Saginaw Street, which are reimbursed under contract from the State.

Local Street Fund - This fund is used to account for State gasoline and weight taxes allocated to the City for the maintenance and repair of approximately 59 miles of local street. This fund also receives contributions from the Major Street Fund and the General Fund to help maintain the local streets.

Library Fund - This fund is used to account for the activities of the City's library. Revenue consists primarily of contributions from the General Fund as well as library book fines, an allocation of county penal fines, State aid to libraries, and miscellaneous gifts and bequests.

Seniors Fund - This fund is used to account for the activities of the East Lansing Seniors Program. In prior fiscal years, this program was part of the East Lansing Recreation and Arts program. The Seniors Program provides recreational classes, tax assistance, small-appliance repair, travel opportunities, and other activities for seniors.

Community Development Block Grant Fund (CDBG) - This fund is a series of funds each of which records an annual grant from the U.S. Department of Housing and Urban Development. These grants begin July of each year and may continue until the entire grant is expended. The grant monies are expended in accordance with federal guidelines to improve the quality of the City's housing stock and to physically improve neighborhoods in qualifying target areas.

Parks and Recreation Fund - This fund is used to account for the operating costs and administrative costs of the Hannah Community Center, the Aquatic Center, and various parks and recreation facilities.

Solid Waste Management Fund - This fund is used to account for the solid waste removal program of the City including curbside residential trash collection, recycling services, and landfill costs. A solid waste millage is levied and trash bag and refuse sticker fees are charged.

Art Festival Fund - These funds are used to account for the East Lansing Arts Festival. Revenue consists primarily of receipts from sponsors and fees.

Debt Service Fund - The Debt Service Fund is used to account for the annual payment of principal, interest, and expenses in connection with certain long-term debt other than debt payable from the operations of an enterprise fund.

Nonmajor Governmental Funds (Continued)

Capital Projects Fund - This Fund is used to account for the following projects: Library addition bond issue; Parks Improvement bond issue; Special Assessment 56A and B to extend utilities up Chandler Road; Special Assessment for 500-600 Grand River Alley improvements; Hannah Community Center renovations bond issue; Family Aquatics Center bond issue; Soccer Complex/Softball Complex parking improvements; Special Assessment 300 Block Grand River Alley improvements; and Special Assessment Whitehills Drive improvements and Special Assessment 59, 62, and 63 Coolidge and Coleman Road extensions.

Capital Projects Fund Parks - This Fund is used to account for the construction of the Welcome Park at Hagadorn and Grand River Avenues.

City of East Lansing, Michigan

	Special Revenue Funds				
	Major Streets	Local Streets	Library Fund	Senior Fund	CDBG Fund
Assets					
Cash and investments	\$ 1,122,467	\$ 497,292	\$ 107,025	\$ 53,174	\$ -
Receivables - Net	11,782	2,304	355	179	-
Due from other governmental units	174,138	51,248	-	-	54,169
Inventories	-	-	-	-	-
Total assets	<u>\$ 1,308,387</u>	<u>\$ 550,844</u>	<u>\$ 107,380</u>	<u>\$ 53,353</u>	<u>\$ 54,169</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 19,010	\$ 157,295	\$ 18,299	\$ 16,128	\$ 53,931
Accrued and other liabilities	-	-	27,744	2,652	-
Total liabilities	19,010	157,295	46,043	18,780	53,931
Fund Balances					
Reserved - Reserved for inventory	-	-	-	-	-
Reserved - Encumbrances	34,394	52,039	-	-	-
Unreserved:					
Designated	443,155	54,700	51,246	-	-
Undesignated	811,828	286,810	10,091	34,573	238
Total fund balances	<u>1,289,377</u>	<u>393,549</u>	<u>61,337</u>	<u>34,573</u>	<u>238</u>
Total liabilities and fund balances	<u>\$ 1,308,387</u>	<u>\$ 550,844</u>	<u>\$ 107,380</u>	<u>\$ 53,353</u>	<u>\$ 54,169</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004**

			Debt Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
Parks and Recreation Fund	Solid Waste Management Fund	Art Festival Fund	Debt Service Fund	Capital Projects Fund	Capital Projects Fund Parks	
\$ 241,455	\$ 709,126	\$ 21,133	\$ 10,577	\$ 341,174	\$ 45,743	\$ 3,149,166
20,402	3,912	71	-	1,125	154	40,284
-	-	-	-	-	-	279,555
-	23,462	-	-	-	-	23,462
<u>\$ 261,857</u>	<u>\$ 736,500</u>	<u>\$ 21,204</u>	<u>\$ 10,577</u>	<u>\$ 342,299</u>	<u>\$ 45,897</u>	<u>\$ 3,492,467</u>
\$ 91,687	\$ 19,214	\$ 561	\$ -	\$ 39,609	\$ 5,363	\$ 421,097
66,213	1,508	94	6,157	-	-	104,368
157,900	20,722	655	6,157	39,609	5,363	525,465
-	23,462	-	-	-	-	23,462
7,025	14,456	-	-	26,658	7,683	142,255
65,000	18,635	-	-	276,032	32,851	941,619
31,932	659,225	20,549	4,420	-	-	1,859,666
103,957	715,778	20,549	4,420	302,690	40,534	2,967,002
<u>\$ 261,857</u>	<u>\$ 736,500</u>	<u>\$ 21,204</u>	<u>\$ 10,577</u>	<u>\$ 342,299</u>	<u>\$ 45,897</u>	<u>\$ 3,492,467</u>

City of East Lansing, Michigan

	Special Revenue Funds				
	Major Streets	Local Streets	Library Fund	Senior Fund	CDBG Fund
Revenue					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	819,831
State sources	2,387,996	623,814	40,637	-	-
Intergovernmental revenue	113,422	-	141,668	52	-
Charges for services	-	-	69,075	42,810	-
Fines and fees	-	-	42,976	-	-
Interest and rent	10,317	3,569	1,230	702	-
Other revenue	4,352	33,719	77,814	19,331	128,238
Total revenue	2,516,087	661,102	373,400	62,895	948,069
Expenditures					
Culture and recreation	-	-	1,509,521	198,961	-
Community development	-	-	-	-	947,831
Public works - Sanitation	-	-	-	-	-
Highways and streets	1,672,371	1,540,848	-	-	-
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	1,672,371	1,540,848	1,509,521	198,961	947,831
Excess of Revenue Over (Under)					
Expenditures	843,716	(879,746)	(1,136,121)	(136,066)	238
Other Financing Sources (Uses)					
Transfers in	-	1,037,000	1,322,055	144,161	-
Transfers out	(1,037,000)	(237,000)	(187,860)	-	-
Total other financing sources (uses)	(1,037,000)	800,000	1,134,195	144,161	-
Change in Fund Balances	(193,284)	(79,746)	(1,926)	8,095	238
Fund Balances - Beginning of year	1,482,661	473,295	63,263	26,478	-
Fund Balances - End of year	\$ 1,289,377	\$ 393,549	\$ 61,337	\$ 34,573	\$ 238

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balance
Nonmajor Governmental Funds
Year Ended June 30, 2004

			Debt Service			
			Fund	Capital Projects Funds		
Parks and Recreation Fund	Solid Waste Management Fund	Art Festival Fund	Debt Service Fund	Capital Projects Fund	Capital Projects Fund Parks	Total Nonmajor Governmental Funds
\$ -	\$ 1,154,546	\$ -	\$ -	\$ -	\$ -	\$ 1,154,546
9,950	-	-	-	-	-	829,781
70,533	-	-	-	-	-	3,122,980
12,000	-	-	273,260	-	-	540,402
1,806,717	268,407	20,612	-	-	-	2,207,621
-	-	-	-	-	-	42,976
227,759	12,228	44,302	84	3,601	-	303,792
39,268	150,000	65,835	-	-	-	518,557
2,166,227	1,585,181	130,749	273,344	3,601	-	8,720,655
3,396,700	-	122,205	-	-	-	5,227,387
-	-	-	-	-	-	947,831
-	1,260,172	-	-	-	-	1,260,172
-	-	-	-	-	-	3,213,219
29,670	-	-	-	468,090	393,903	891,663
-	-	-	2,789,909	-	-	2,789,909
3,426,370	1,260,172	122,205	2,789,909	468,090	393,903	14,330,181
(1,260,143)	325,009	8,544	(2,516,565)	(464,489)	(393,903)	(5,609,526)
1,314,085	-	-	2,516,649	237,000	338,000	6,908,950
-	-	-	-	-	-	(1,461,860)
1,314,085	-	-	2,516,649	237,000	338,000	5,447,090
53,942	325,009	8,544	84	(227,489)	(55,903)	(162,436)
50,015	390,769	12,005	4,336	530,179	96,437	3,129,438
\$ 103,957	\$ 715,778	\$ 20,549	\$ 4,420	\$ 302,690	\$ 40,534	\$ 2,967,002

City of East Lansing, Michigan

Other Supplemental Information Budgetary Comparison Schedule Major Streets Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Resources (Inflows)				
Intergovernmental revenue	\$ 2,076,510	\$ 2,319,793	\$ 2,501,418	\$ 181,625
Interest income	25,500	25,500	10,317	(15,183)
Other	12,000	12,000	4,352	(7,648)
Other - Appropriated from fund balance	<u>257,055</u>	<u>644,373</u>	<u>-</u>	<u>(644,373)</u>
Amounts available for appropriation	2,371,065	3,001,666	2,516,087	(485,579)
Charges to Appropriations (Outflows)				
Highways and streets	1,490,335	1,964,666	1,672,371	292,295
Transfer out - Other fund	<u>880,730</u>	<u>1,037,000</u>	<u>1,037,000</u>	<u>-</u>
Total charges to appropriations	<u>2,371,065</u>	<u>3,001,666</u>	<u>2,709,371</u>	<u>292,295</u>
Fund Balance Reconciliation				
Fund balance - Beginning of the year	1,482,661	1,482,661	1,482,661	-
Change in fund balance	<u>(257,055)</u>	<u>(644,373)</u>	<u>(193,284)</u>	<u>451,089</u>
Fund balance - End of year	<u>\$ 1,225,606</u>	<u>\$ 838,288</u>	<u>\$ 1,289,377</u>	<u>\$ 451,089</u>

City of East Lansing, Michigan

Other Supplemental Information Budgetary Comparison Schedule Local Streets Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Resources (Inflows)				
Intergovernmental revenue	\$ 565,000	\$ 565,000	\$ 623,814	\$ 58,814
Interest income	10,000	10,000	3,569	(6,431)
Other	13,000	13,000	33,719	20,719
Other - Appropriated from fund balance	(1,320)	415,314	-	(415,314)
Transfers in - Other funds	<u>800,000</u>	<u>1,037,000</u>	<u>1,037,000</u>	<u>-</u>
Amounts available for appropriation	1,386,680	2,040,314	1,698,102	(342,212)
Charges to Appropriations (Outflows)				
Highways and streets	1,386,680	1,803,314	1,540,848	262,466
Transfer out - Other fund	<u>-</u>	<u>237,000</u>	<u>237,000</u>	<u>-</u>
Total charges to appropriations	<u>1,386,680</u>	<u>2,040,314</u>	<u>1,777,848</u>	<u>262,466</u>
Fund Balance Reconciliation				
Fund balance - Beginning of the year	473,295	473,295	473,295	-
Change in fund balance	<u>1,320</u>	<u>(415,314)</u>	<u>(79,746)</u>	<u>335,568</u>
Fund balance - End of year	<u><u>\$ 474,615</u></u>	<u><u>\$ 57,981</u></u>	<u><u>\$ 393,549</u></u>	<u><u>\$ 335,568</u></u>

City of East Lansing, Michigan

Other Supplemental Information Budgetary Comparison Schedule Library Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Resources (Inflows)				
Intergovernmental revenue	\$ 191,620	\$ 191,620	\$ 182,305	\$ (9,315)
Charges for services	71,365	71,365	69,075	(2,290)
Fines and fees	47,000	47,000	42,976	(4,024)
Interest income	3,500	3,500	1,230	(2,270)
Other revenues	56,280	56,280	77,814	21,534
Other - Appropriated from fund balance	-	6,711	-	(6,711)
Transfer in - Other funds	1,322,065	1,322,065	1,322,055	(10)
Amounts available for appropriation	1,691,830	1,698,541	1,695,455	(3,086)
Charges to Appropriations (Outflows)				
Culture and recreation	1,503,970	1,510,681	1,509,521	1,160
Contribution to Debt Service Fund Transfer Out - Other Funds	187,860	187,860	187,860	-
Total charges to appropriations	1,691,830	1,698,541	1,697,381	1,160
Fund Balance Reconciliation				
Fund balance - Beginning of the year	63,263	63,263	63,263	-
Change in fund balance	-	(6,711)	(1,926)	4,785
Fund balance - End of year	<u>\$ 63,263</u>	<u>\$ 56,552</u>	<u>\$ 61,337</u>	<u>\$ 4,785</u>

City of East Lansing, Michigan

Other Supplemental Information Budgetary Comparison Schedule Senior Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Resources (Inflows)				
Charges for services	\$ 27,200	\$ 27,200	\$ 42,862	\$ 15,662
Interest income	600	600	702	102
Other revenues	18,900	18,900	19,331	431
Other - Appropriated from fund balance	-	-	-	-
Transfers in-Other funds	<u>154,905</u>	<u>154,905</u>	<u>144,161</u>	<u>(10,744)</u>
Amounts available for appropriation	201,605	201,605	207,056	5,451
Charges to Appropriations (Outflows)				
Culture and recreation	<u>201,605</u>	<u>201,605</u>	<u>198,961</u>	<u>2,644</u>
Fund Balance Reconciliation				
Fund balance - Beginning of the year	26,478	26,478	26,478	-
Change in fund balance	<u>-</u>	<u>-</u>	<u>8,095</u>	<u>8,095</u>
Fund balance - End of year	<u>\$ 26,478</u>	<u>\$ 26,478</u>	<u>\$ 34,573</u>	<u>\$ 8,095</u>

City of East Lansing, Michigan

Other Supplemental Information Budgetary Comparison Schedule Parks and Recreation Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Resources (Inflows)				
Grants	\$ 82,600	\$ 82,600	\$ 92,483	\$ 9,883
Charges for services	2,371,090	1,942,245	1,806,717	(135,528)
Interest and rent	-	203,845	227,759	23,914
Other revenues	30,200	30,200	39,268	9,068
Other - Appropriated from fund balance	-	7,217	-	(7,217)
Transfers in-Other funds	<u>1,089,085</u>	<u>1,314,085</u>	<u>1,314,085</u>	<u>-</u>
Amounts available for appropriation	3,572,975	3,580,192	3,480,312	(99,880)
Charges to Appropriations (Outflows)				
Culture and recreation	<u>3,572,975</u>	<u>3,580,192</u>	<u>3,426,370</u>	<u>153,822</u>
Fund Balance Reconciliation				
Fund balance - Beginning of the year	50,015	50,015	50,015	-
Change in fund balance	<u>-</u>	<u>(7,217)</u>	<u>53,942</u>	<u>61,159</u>
Fund balance - End of year	<u><u>\$ 50,015</u></u>	<u><u>\$ 42,798</u></u>	<u><u>\$ 103,957</u></u>	<u><u>\$ 61,159</u></u>

City of East Lansing, Michigan

Other Supplemental Information Budgetary Comparison Schedule Solid Waste Management Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Resources (Inflows)				
Taxes	\$ 1,122,760	\$ 1,122,760	\$ 1,154,546	\$ 31,786
Charges for services	167,000	167,000	268,407	101,407
Interest income	20,000	20,000	12,228	(7,772)
Other revenue	150,000	150,000	150,000	-
Other - Appropriated from fund balance	-	8,462	-	(8,462)
Amounts available for appropriation	1,459,760	1,468,222	1,585,181	116,959
Charges to Appropriations (Outflows)				
Public works - Sanitation	1,414,130	1,468,222	1,260,172	208,050
Transfer out - Other fund	45,630	-	-	-
Total charges to appropriations	1,459,760	1,468,222	1,260,172	208,050
Fund Balance Reconciliation				
Fund balance - Beginning of the year	390,769	390,769	390,769	-
Change in fund balance	-	(8,462)	325,009	333,471
Fund balance - End of year	<u>\$ 390,769</u>	<u>\$ 382,307</u>	<u>\$ 715,778</u>	<u>\$ 333,471</u>

City of East Lansing, Michigan

Other Supplemental Information Budgetary Comparison Schedule Art Festival Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Resources (Inflows)				
Charges for services	\$ 12,825	\$ 12,825	\$ 12,872	\$ 47
Interest and rent	1,000	45,870	44,302	(1,568)
Miscellaneous revenue	101,895	63,525	73,575	10,050
	<u>115,720</u>	<u>122,220</u>	<u>130,749</u>	<u>8,529</u>
Amounts available for appropriation	115,720	122,220	130,749	8,529
Charges to Appropriations (Outflows)				
Culture and recreation	112,720	\$ 122,220	\$ 122,205	\$ 15
Transfer out - Other fund	3,000	-	-	-
	<u>115,720</u>	<u>122,220</u>	<u>122,205</u>	<u>15</u>
Total charges to appropriations	115,720	122,220	122,205	15
Fund Balance Reconciliation				
Fund balance - Beginning of the year	12,005	12,005	12,005	-
Change in Fund Balance	-	-	8,544	8,544
Fund balance - End of year	<u>\$ 12,005</u>	<u>\$ 12,005</u>	<u>\$ 20,549</u>	<u>\$ 8,544</u>

City of East Lansing, Michigan

Other Supplemental Information Budgetary Comparison Schedule Debt Service Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Resources (Inflows)				
Intergovernmental revenue	\$ 273,260	\$ 273,260	\$ 273,260	\$ -
Interest revenue	-	-	84	84
Transfer from other funds	<u>2,516,650</u>	<u>2,516,650</u>	<u>2,516,649</u>	<u>(1)</u>
Amounts available for appropriation	2,789,910	2,789,910	2,789,993	83
Charges to Appropriations (Outflows)				
Debt service	<u>2,789,910</u>	<u>2,789,910</u>	<u>2,789,909</u>	<u>1</u>
Fund Balance Reconciliation				
Fund balance - Beginning of the year	4,336	4,336	4,336	-
Change in fund balance	<u>-</u>	<u>-</u>	<u>84</u>	<u>84</u>
Fund balance - End of year	<u>\$ 4,336</u>	<u>\$ 4,336</u>	<u>\$ 4,420</u>	<u>\$ 84</u>

Internal Service Funds

Internal Service Funds account for financing of goods or services provided by one department or agency to other departments or agencies of the City, on a cost-reimbursement basis. The City's Internal Service Funds consist of the following:

Insurance and Benefits Fund - This fund is used to account for the charges to City departments associated with the City's self-insured workers' compensation and medical benefits program and funding of retiree health care benefits.

Garage Fund - This fund is used to account for the operation and maintenance of the motor vehicle fleet and equipment used by the various City departments. Rentals for equipment used are paid to this fund by the various City departments.

Computer Service Fund - This fund is used to account for the operation and maintenance of computers and equipment used by the various City departments. Rentals for equipment used are paid to this fund by the various City departments.

City of East Lansing, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds Year Ended June 30, 2004

	Insurance and Benefits Fund	Garage Fund	Computer Service Fund	Totals
Assets				
Current assets:				
Cash and investments	\$ 3,392,944	\$ 1,874,603	\$ 860,496	\$ 6,128,043
Receivables:				
Special assessments	-	501,817	-	501,817
Customers	-	38,361	-	38,361
Accrued interest	25,691	48,869	2,882	77,442
Other	23,027	-	-	23,027
Inventories	-	258,792	-	258,792
Total current assets	3,441,662	2,722,442	863,378	7,027,482
Restricted Assets - Investments	-	5,744,039	-	5,744,039
Noncurrent Assets - Capital assets	-	4,065,179	290,551	4,355,730
Total assets	3,441,662	12,531,660	1,153,929	17,127,251
Liabilities				
Current liabilities:				
Accounts payable	541,980	190,634	40,711	773,325
Accrued liabilities	-	61,056	-	61,056
Claims payable	408,522	-	-	408,522
Current portion of long-term debt:				
Compensated absences	-	215,288	-	215,288
Bonds payable	-	195,000	-	195,000
Total current liabilities	950,502	661,978	40,711	1,653,191
Compensated Absences Payable	-	190,322	30,159	220,481
Long-Term Debt - Net of current portion	-	6,580,496	-	6,580,496
Total liabilities	950,502	7,432,796	70,870	8,454,168
Net Assets				
Invested in capital assets - Net of related debt	-	3,228,722	290,551	3,519,273
Unrestricted	2,491,160	1,870,142	792,508	5,153,810
Total net assets	<u>\$ 2,491,160</u>	<u>\$ 5,098,864</u>	<u>\$ 1,083,059</u>	<u>\$ 8,673,083</u>

City of East Lansing, Michigan

Other Supplemental Information

Combining Statement of Revenue, Expenses, and Changes in Fund Net Assets

Internal Service Funds

Year Ended June 30, 2004

	Insurance and Benefits Fund	Garage Fund	Computer Service Fund	Totals
Operating Revenue				
User service charges	\$ 4,728,910	\$ 249,284	\$ 732,915	\$ 5,711,109
Equipment and building rental	-	1,980,819	-	1,980,819
Special assessment	-	36,531	-	36,531
Miscellaneous revenue	-	13,979	-	13,979
Total operating revenue	4,728,910	2,280,613	732,915	7,742,438
Operating Expenses				
Operating expenses	4,845,017	1,473,814	687,219	7,006,050
Depreciation	-	827,827	105,487	933,314
Total operating expenses	4,845,017	2,301,641	792,706	7,939,364
Operating Loss	(116,107)	(21,028)	(59,791)	(196,926)
Nonoperating Income (Expense)				
Interest income	62,205	110,846	7,832	180,883
Interest expense	-	(259,809)	-	(259,809)
Gain on sale of capital assets	-	34,053	-	34,053
Total nonoperating income (expense)	62,205	(114,910)	7,832	(44,873)
Net Loss	(53,902)	(135,938)	(51,959)	(241,799)
Net Assets - Beginning of year	2,545,062	5,234,802	1,135,018	8,914,882
Net Assets - End of year	<u>\$ 2,491,160</u>	<u>\$ 5,098,864</u>	<u>\$ 1,083,059</u>	<u>\$ 8,673,083</u>

City of East Lansing, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2004

	Insurance and Benefits Fund	Garage Fund	Computer Service Fund	Totals
Cash Flows From Operating Activities				
Receipts from customers	\$ 4,724,005	\$ 2,298,595	\$ 736,336	\$ 7,758,936
Payments to suppliers	-	(1,419,768)	(656,238)	(2,076,006)
Claims paid	(4,745,589)	-	-	(4,745,589)
Payments to employees	-	(531,745)	-	(531,745)
Net cash provided by (used in) operating activities	(21,584)	347,082	80,098	405,596
Cash Flows From Capital and Related Financing Activities				
Interest paid on long-term debt	-	(259,809)	-	(259,809)
Purchase of capital assets	-	(652,872)	(100,801)	(753,673)
Proceeds from sale of capital assets	-	34,053	-	34,053
Net cash used in capital and related financing activities	-	(878,628)	(100,801)	(979,429)
Cash Flows From Investing Activities				
Interest received on investments	62,205	110,846	7,832	180,883
Net Increase (Decrease) in Cash and Cash Equivalents	40,621	(420,700)	(12,871)	(392,950)
Cash and Cash Equivalents - July 1, 2003	<u>3,352,323</u>	<u>8,039,342</u>	<u>873,367</u>	<u>12,265,032</u>
Cash and Cash Equivalents - June 30, 2004	<u>\$ 3,392,944</u>	<u>\$ 7,618,642</u>	<u>\$ 860,496</u>	<u>\$ 11,872,082</u>
Reconciliation of operating loss to net cash from operating activities:				
Operating loss	\$ (116,107)	\$ (21,028)	\$ (59,791)	\$ (196,926)
Adjustments to reconcile operating loss to net cash from operating activities				
Depreciation	-	827,827	105,487	933,314
Changes in assets and liabilities:				
Receivables	(4,905)	38,182	3,421	36,698
Inventories	-	(20,200)	-	(20,200)
Accounts payable	128,530	98,325	21,980	248,835
Claims payable	(29,102)	-	-	(29,102)
Accrued wages	-	19,674	-	19,674
Other liabilities	-	(595,698)	9,001	(586,697)
Net cash provided by (used in) operating activities	<u>\$ (21,584)</u>	<u>\$ 347,082</u>	<u>\$ 80,098</u>	<u>\$ 405,596</u>

During 2003 and 2002, there were no non cash investing, capital, or financing activities.

City of East Lansing, Michigan

Other Supplemental Information Statement of Changes in Assets and Liabilities Agency Funds Year Ended June 30, 2004

	Beginning of Year	Additions	Reductions	End of Year
Assets				
Cash and cash equivalents	\$ 1,134,353	\$ 33,320,482	\$ 33,681,535	\$ 773,300
Investments	410,029	10,145	73,360	346,814
Accounts receivable	385,279	8,243,042	8,518,839	109,482
Total assets	<u>\$ 1,929,661</u>	<u>\$ 41,573,669</u>	<u>\$ 42,273,734</u>	<u>\$ 1,229,596</u>
Liabilities				
Accounts payable	\$ 11,621	\$ 3,656,487	\$ 3,662,935	\$ 5,173
Due to other governments	770,411	31,261,270	31,838,159	193,522
Accrued and other liabilities	1,147,629	2,623,252	2,739,980	1,030,901
Total liabilities	<u>\$ 1,929,661</u>	<u>\$ 37,541,009</u>	<u>\$ 38,241,074</u>	<u>\$ 1,229,596</u>

Component Units

City of East Lansing, Michigan

Other Supplemental Information Component Units - Fund Based Statements Downtown Development Authority Year Ended June 30, 2004

	Modified Accrual	Full Accrual Adjustments	Net Assets, full accrual
BALANCE SHEET/ STATEMENT OF NET ASSETS			
Assets			
Cash and investments	\$ 28,635	\$ -	\$ 28,635
Receivables	121,388	-	121,388
Due from other governmental units	99,188	-	99,188
Capital assets	-	664,634	664,634
Total assets	<u>\$ 249,211</u>	664,634	913,845
Liabilities			
Accounts payable and accrued wages	\$ 32,511	99,188	131,699
Deferred revenue	202,413	(202,413)	-
Long-term debt due in more than one year	-	700,000	700,000
Total liabilities	234,924	596,775	831,699
Fund Balance	14,287	(14,287)	-
Total liabilities and fund balance	<u>\$ 249,211</u>		
Net Assets			
Invested in capital assets - Net of related debt		(35,366)	(35,366)
Unrestricted		117,512	117,512
Total net assets		<u>\$ 82,146</u>	<u>\$ 82,146</u>

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE/ STATEMENT OF ACTIVITIES

Revenue			
Property tax capture	\$ 804,237	\$ -	\$ 804,237
Operating grants and contributions	73,363	30,375	103,738
Charges for services	77,207	-	77,207
Interest income	1,549	-	1,549
Total revenue	956,356	30,375	986,731
Expenditures			
Public works	1,015,277	99,188	1,114,465
Depreciation	-	13,849	13,849
Total expenditures/expenses	1,015,277	113,037	1,128,314
Excess of Revenue Under Expenditures	(58,921)	(82,662)	(141,583)
Fund Balance/Net Assets:			
Beginning of year	73,208	150,521	223,729
End of year	<u>\$ 14,287</u>	<u>\$ 67,859</u>	<u>\$ 82,146</u>

City of East Lansing, Michigan

Other Supplemental Information Component Units - Fund Based Statements Downtown Management Board Year Ended June 30, 2004

	Modified Accrual	Full Accrual Adjustments	Net Assets, full accrual
BALANCE SHEET/ STATEMENT OF NET ASSETS			
Assets			
Cash and investments	\$ 9,817	\$ -	\$ 9,817
Receivables	<u>188,817</u>	<u>-</u>	<u>188,817</u>
Total assets	<u>\$ 198,634</u>	<u>-</u>	<u>198,634</u>
Liabilities			
Accounts payable and accrued wages	\$ 119	-	119
Deferred revenue	<u>188,784</u>	<u>(188,784)</u>	<u>-</u>
Total liabilities	188,903	(188,784)	119
Fund Balance	<u>9,731</u>	<u>(9,731)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 198,634</u>		
Net Assets			
Unrestricted		<u>\$ 198,515</u>	<u>\$ 198,515</u>

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE/ STATEMENT OF ACTIVITIES

Revenue			
General assessment	\$ 47,196	\$ (47,196)	\$ -
Interest income	<u>273</u>	<u>-</u>	<u>273</u>
Total Revenue	47,469	(47,196)	273
Expenditures			
Public works	<u>49,190</u>	<u>-</u>	<u>49,190</u>
Excess of Revenue Under Expenditures	(1,721)	(47,196)	(48,917)
Fund Balance/Net Assets:			
Beginning of year	<u>11,452</u>	<u>235,980</u>	<u>247,432</u>
End of year	<u>\$ 9,731</u>	<u>\$ 188,784</u>	<u>\$ 198,515</u>

Statistical Section

City of East Lansing, Michigan

Fiscal Year Ended June 30		General Government	Public Safety	Public Works	Capital Improvements	Benefits
1995		\$ 4,545,031	\$ 6,865,279	\$ 1,273,566	\$ 566,299	\$ 3,875,284
1996	(B)	5,815,283	9,853,868	1,557,117	265,541	407,478
1997		5,796,238	11,038,556	696,272	718,220	350,654
1998		6,142,533	11,742,031	825,357	-	-
1999		6,730,799	12,825,812	779,397	-	-
2000		7,169,375	13,366,575	767,523	-	-
2001		7,454,972	13,610,763	1,197,936	-	-
2002		6,995,713	13,942,073	1,314,209	-	-
2003		7,205,977	14,492,437	822,398	-	-
2004		7,671,669	14,840,403	750,554	-	-

NOTE A - Debt service and contributions represent operating transfers made to other funds.

NOTE B - In 1996, most of the employee benefits were allocated to departmental activities.
From 1998 forward, all benefits were allocated to department activities.

See independent auditor's disclaimer on the statistical section information.

**General Fund
General Government Expenditures and
Other Financing Uses by Function
1995 to 2004**

	Debt Service (A)	Contributions (A)	Other	Total
\$	457,414	\$ 1,457,642	\$ 316,947	\$ 19,357,462
	451,210	1,498,030	202,319	20,050,846
	329,368	1,791,615	907,484	21,628,407
	877,570	3,043,990	961,838	23,593,319
	902,811	2,478,038	1,034,545	24,751,402
	1,650,658	2,344,289	1,411,563	26,709,983
	1,763,896	3,662,340	1,331,104	29,021,011
	1,631,786	2,616,409	1,595,570	28,095,760
	2,115,767	2,660,614	1,495,226	28,792,419
	2,328,789	3,118,301	1,490,423	30,200,139

City of East Lansing, Michigan

Fiscal Year Ended June 30	Property Taxes	Amounts Received from Other Government Sources		Charges for Services	Licenses and Permits
		Federal	State		
1995	\$ 9,108,708	\$ -	\$ 5,674,670	\$ 759,678	\$ 542,011
1996	9,341,008	35,000	5,843,786	999,052	417,297
1997	9,134,604	99,192	5,986,110	1,053,911	408,742
1998	9,429,760	162,818	6,420,114	1,019,143	741,471
1999	9,883,887	211,053	6,851,203	3,144,190	855,409
2000	11,073,587	300,389	7,579,433	3,037,606	920,376
2001	11,782,594	371,124	7,993,288	2,868,245	1,196,280
2002	12,134,907	211,375	7,729,047	2,789,569	1,049,859
2003	13,264,517	140,860	6,674,996	3,721,610	1,223,177
2004	14,436,027	228,902	6,716,756	3,775,810	1,479,698

NOTE A - Other revenue includes operating transfers from other funds and proceeds from long-term debt.

See independent auditor's disclaimer on the statistical section information.

**General Fund
General Government Revenue and
Other Financing Sources by Source
1995 to 2004**

Fines	Investment Income	Other (A)	Total
\$ 1,520,787	\$ 366,389	\$ 1,033,538	\$ 19,005,781
1,718,970	379,676	2,056,413	20,791,202
2,057,709	434,638	2,982,158	22,157,064
2,338,921	438,921	2,945,261	23,496,409
2,284,187	412,191	1,033,422	24,675,542
2,416,636	352,957	1,125,187	26,806,171
2,386,899	455,929	958,865	28,013,224
2,755,126	223,458	1,232,752	28,126,093
2,759,678	230,769	1,194,457	29,210,064
3,165,875	100,765	909,729	30,813,562

City of East Lansing, Michigan

<u>Fiscal Year Ended June 30</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected (%)</u>	<u>Delinquent Tax Collections</u>
1995	\$ 8,636,685	\$ 8,614,884	99.75	\$ 18,587
1996	8,886,207	8,869,116	99.81	18,372
1997	9,556,482	9,541,129	99.84	15,353
1998	9,868,390	9,851,640	99.83	16,750
1999	10,320,082	10,307,224	99.87	12,858
2000	11,305,639	11,291,598	99.88	12,808
2001	11,895,973	11,848,368	99.60	47,605
2002	12,525,643	12,460,341	99.48	37,466
2003	13,070,316	13,025,905	99.66	76,192
2004	13,940,160	13,834,601	99.24	83,864

NOTE A - A reserve has been calculated based upon the expected uncollectible delinquent taxes.

See independent auditor's disclaimer on the statistical section information.

**Property Tax Levies and Collections
1995 to 2004**

Outstanding Delinquent Taxes (A)	Outstanding Delinquent Taxes as Percent of Current Levy (%)
\$ 69,013	0.80
67,737	0.76
35,405	0.37
47,875	0.48
43,489	0.42
45,826	0.40
84,806	0.71
100,934	0.81
185,592	0.92
71,062	0.51

City of East Lansing, Michigan

Fiscal Year Ended June 30	Assessments			Equalization Factor	
	Real Property	Personal Property	Total	Real Property	Personal Property
1996	\$ 479,224,920	\$ 27,508,760	\$ 506,733,680	1.00	1.00
1997	487,579,050	30,082,500	517,661,550	1.00	1.00
1998	532,818,100	32,844,450	565,662,550	1.00	1.00
1999	562,517,450	34,941,700	597,459,150	1.00	1.00
2000	607,169,750	37,709,900	644,879,650	1.00	1.00
2001	645,184,200	37,762,600	682,946,800	1.00	1.00
2002	691,464,400	37,843,200	729,307,600	1.00	1.00
2003	740,856,100	38,520,200	779,376,300	1.00	1.00
2004	815,436,200	39,095,800	854,532,000	1.00	1.00
2005	876,057,400	39,262,300	915,319,700	1.00	1.00

See independent auditor's disclaimer on the statistical section information.

**Assessed and State Equalized Values
1996 to 2005**

State Equalized Value		
Real Property	Personal Property	Total
\$ 479,224,920	\$ 27,508,760	\$ 506,733,680
487,579,050	30,082,500	517,661,550
532,818,100	32,844,450	565,662,550
562,517,450	34,941,700	597,459,150
607,169,750	37,709,900	644,879,650
645,184,200	37,762,600	682,946,800
691,464,400	37,843,200	729,307,600
740,856,100	38,520,200	779,376,300
815,436,200	39,095,800	854,532,000
876,057,400	39,262,300	915,319,700

City of East Lansing, Michigan

Fiscal Year Ended June 30	Tax Rate (Per \$1,000 of					
	City				Combined	Combined Ingham County
	Operating	Solid Waste	Debt	Total	East Lansing	
					School District	
Non-Homestead						
1995	15.29	0.89	1.01	17.19	22.80	14.13
1996	15.48	0.83	0.88	17.19	23.19	14.11
1997	15.00	1.57	1.52	18.09	23.19	13.98
1998	15.00	1.57	1.52	18.09	23.19	14.00
1999	15.07	1.59	1.43	18.09	23.19	13.98
2000	15.07	1.59	2.50	19.16	23.19	13.94
2001	15.07	1.59	2.62	19.28	26.29	13.90
2002	15.26	1.59	2.43	19.28	26.28	13.88
2003	15.36	1.59	2.33	19.28	26.28	14.29
2004	15.52	1.59	2.17	19.28	26.27	14.66
Homestead						
1995	15.29	0.89	1.01	17.19	5.50	14.13
1996	15.48	0.83	0.88	17.19	5.89	14.11
1997	15.00	1.57	1.52	18.09	5.89	13.98
1998	15.00	1.59	1.50	18.09	6.68	14.00
1999	15.07	1.59	1.43	18.09	6.36	13.98
2000	15.07	1.59	2.50	19.16	6.51	13.94
2001	15.07	1.59	2.62	19.28	9.43	13.90
2002	15.26	1.59	2.43	19.28	9.42	13.88
2003	15.36	1.59	2.33	19.28	9.35	14.29
2004	15.52	1.59	2.17	19.28	9.23	14.66

NOTE: In November 1993, voters approved Proposal A, which reduced School District operating millage and replaced it with a two-cent sales tax increase and a six-mill state education millage. Different rates are applicable to homestead versus non-homestead properties.

See independent auditor's disclaimer on the statistical information.

**Property Tax Rates
Direct and Overlapping Governments
1995 to 2004**

Taxable Valuation)			
Combined Lansing Community College	Capital Area Transportation Authority	State Education	Total
<hr/>			
2.98	0.98	6.00	64.08
2.94	0.98	6.00	64.41
2.94	0.98	6.00	65.18
2.94	1.38	6.00	65.60
2.94	1.38	6.00	65.58
2.92	1.37	6.00	66.58
2.91	1.37	6.00	69.75
3.89	1.39	6.00	70.72
3.87	2.20	6.00	71.92
3.85	2.19	5.00	71.25
<hr/>			
2.98	0.98	6.00	46.78
2.94	0.98	6.00	47.11
2.94	0.98	6.00	47.88
2.94	1.38	6.00	49.09
2.94	1.38	6.00	48.75
2.92	1.37	6.00	49.90
2.91	1.37	6.00	52.89
3.89	1.39	6.00	53.86
3.87	2.20	6.00	54.99
3.85	2.19	5.00	54.21

City of East Lansing, Michigan

Fiscal Year Ended June 30	Population Per Census	State Equalized Value	Gross Bonded Debt (A)	Debt Payable from Enterprise Revenue
1995	50,677	\$ 506,733,680	\$ 23,034,438	\$ 19,644,438
1996	51,065	517,661,550	39,912,855	29,320,964
1997	51,065	565,662,550	43,253,262	32,316,703
1998	51,065	597,459,150	42,291,171	32,114,567
1999	51,065	644,879,650	51,879,144	30,875,762
2000	51,065	682,946,800	52,058,692	30,249,663
2001	46,525	729,307,600	68,096,711	44,820,849
2002	46,525	779,376,300	72,520,436	44,915,064
2003	46,525	854,532,000	73,871,390	42,807,794
2004	46,525	915,319,700	71,487,690	42,322,690

NOTE A - Includes all long-term bonded debt.

See independent auditor's disclaimer on the statistical section information.

**Ratio of Net General Bonded Debt to
State Equalized Value and
Net Bonded Debt Per Capita
1995 to 2004**

	Net Bonded Debt	Ratio of Net Bonded Debt to S.E.V.	Net Bonded Debt per Capita
\$	3,390,000	0.67	67
	10,591,891	2.05	207
	10,936,559	1.93	214
	10,176,804	1.70	199
	21,003,382	3.26	411
	21,809,029	3.38	427
	23,275,862	3.19	500
	27,605,372	3.54	593
	31,063,596	3.64	668
	29,165,000	3.19	627

City of East Lansing, Michigan

Computation of Legal Debt Margin Year Ended June 30, 2004

State Equalized Value - 2004	<u>\$ 915,319,700</u>
Debt Limit - 10 percent of State equalized value	\$ 91,531,970
Amount of Debt Applicable to Debt Limit	<u>51,550,496</u>
Legal Debt Margin	<u>\$ 39,981,474</u>

Reconciliation of Total Debt to Amount of Debt Applicable to Debt Limit

Total Enterprise Funds Debt	\$ 42,194,306
Plus deferred charge on refunding	299,388
Less Enterprise Funds Bonds not subject to limitations:	
Limited Tax Bonds Series 1994 - CSO	(4,135,000)
Limited Tax Bonds Series 1995 - CSO	(8,860,000)
Limited Tax Bonds Series 2000	(575,000)
Limited Tax Bond Series 2004 - CSO	(1,392,690)
Less accumulated employee benefits	<u>(171,004)</u>
Applicable Enterprise Funds Debt	27,360,000
Total General Long-Term Debt Account Group	32,025,712
Less accumulated employee benefits	(2,945,216)
Less Special Assessment Bonds not subject to limitations	<u>(4,890,000)</u>
Applicable General Long-Term Debt Account Group Debt	24,190,496
Total Amount of Debt Applicable to Debt Limit	<u>\$ 51,550,496</u>

See independent auditor's disclaimer on the statistical section information.

City of East Lansing, Michigan

Computation of Direct and Overlapping Debt June 30, 2004

Name of Governmental Unit	Net Debt	Percentage	City Share
	Outstanding	To City (%)	of Debt
Direct Debt			
City of East Lansing - Debt Service Bonds	\$ 71,487,690	100.00	\$ 71,487,690
Overlapping Debt			
East Lansing School District	82,475,064	77.95	64,289,312
Lansing School District	77,830,000	2.04	1,587,732
Bath School District	10,840,503	8.81	955,048
Haslett School District	52,391,708	0.03	15,718
Ingham Intermediate School District	440,000	9.69	42,636
Ingham County	38,490,959	11.21	4,314,837
Clinton County	16,742,793	1.23	205,936
Lansing Community College	58,950,000	8.30	4,892,850
Total overlapping debt			76,304,069
Total Direct and Overlapping Debt			\$ 147,791,759

Source: City records and Municipal Advisory Council of Michigan.

See independent auditor's disclaimer on the statistical section information.

City of East Lansing, Michigan

Ratio of Annual Debt Service for General Bonded Debt to Total General Expenditures 1995 to 2004

Fiscal Year Ended June 30	Total Debt Service (A)	Total General Fund Expenditures	Ratio
1995	\$ 457,414	\$ 19,357,462	2.36
1996	451,210	20,050,846	2.25
1997	329,368	21,628,407	1.52
1998	877,569	23,593,319	3.72
1999	902,811	24,751,402	3.64
2000	1,650,658	26,709,983	6.18
2001	1,763,896	29,021,011	6.08
2002	1,631,786	28,095,760	5.81
2003	2,115,767	28,751,032	7.36
2004	2,328,789	30,200,139	7.71

NOTE A - Includes general fund debt service only.

See independent auditor's disclaimer on the statistical section information.

City of East Lansing, Michigan

Demographic Statistics

	2000	1990	1980	1970
Population (1)	46,525	51,065	51,392	47,540
Per capita income (1)	\$16,333	\$ 11,212	\$ 6,305	\$ 3,399
Median age (1)	21.7	21.6	21.4	21.9
Percentage of persons over 25 years of age with high school or higher education	96.9%	96.6%	N/A	N/A
Percentage of persons over 25 years of age with a bachelor's degree or higher education	70.4%	71.2%	N/A	N/A
School enrollment - Kindergarten-12th grade (2)	3,622	4,104	4,566	5,620
University enrollment (3)	41,355	42,088	32,289	25,594
Unemployment rate (1)	N/A	7.6%	6.0%	6.3%

Sources:

(1) U.S. Bureau of Census

(2) East Lansing School District Census

(3) Administration Offices, Michigan State University

N/A - Information is not available

City of East Lansing, Michigan

Taxable Value Years Ended or Ending June 30, 1997 through June 30, 2005

Assessed Value as of December 31	Years of State Equalization and Tax Levy	City's Fiscal Year Ended or Ending June 30	Ad Valorem Taxable Value	Equivalent Taxable Value of Property Granted Tax Abatement Under Acts 198 and 125	Total Taxable Value
1995	1996	1997	\$ 535,326,970	\$ 1,524,900	\$ 536,851,870
1996	1997	1998	551,410,650	1,524,900	552,935,550
1997	1998	1999	576,724,180	-	576,724,180
1998	1999	2000	599,160,100	-	599,160,100
1999	2000	2001	627,313,300	-	627,313,300
2000	2001	2002	662,591,220	-	662,591,220
2001	2002	2003	697,895,440	-	697,895,440
2002	2003	2004	748,210,510	-	748,210,510
2003	2004	2005	790,769,480	-	790,769,480

Per capita total taxable value for the fiscal year ending June 30, 2003 (1) \$ 16,996.66

(1) Based on the City's 2000 Census of 46,525.

Source: City of East Lansing

See independent auditor's disclaimer on the statistical information.

City of East Lansing, Michigan

State Equalized Valuation Years Ended or Ending June 30, 1996 Through 2005

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Year Ended or Ending June 30	Ad Valorem SEV	SEV of Property Granted Tax Abatement Under Acts 198 and 255	Total SEV	Percent Increase Over Prior Year (%)
1994	1995	1996	\$ 517,661,550	\$ 3,097,300	\$ 520,758,850	2.02
1995	1996	1997	554,942,030	3,049,800	557,991,830	7.14
1996	1997	1998	565,662,500	3,049,850	568,712,350	1.92
1997	1998	1999	597,459,150	-	597,459,150	5.05
1998	1999	2000	644,879,650	-	644,879,650	7.94
1999	2000	2001	682,946,800	-	682,946,800	5.90
2000	2001	2002	729,307,600	-	729,307,600	6.79
2001	2002	2003	779,376,300	-	779,376,300	6.87
2002	2003	2004	854,210,510	-	854,210,510	9.60
2003	2004	2005	915,319,700	-	915,319,700	7.15

Per capita total SEV for the fiscal year ending June 30, 2004 (1) \$ 19,673.72

(1) Based on the City's 2000 Census of 46,525.

Source: City of East Lansing

See independent auditor's disclaimer on the statistical information.

City of East Lansing, Michigan

	1996	1997	1998	1999
Use				
Commercial	\$ 191,889,070	\$ 202,921,630	\$ 205,889,310	\$ 218,312,800
Industrial	62,900	62,900	62,900	62,900
Residential	328,806,880	351,957,500	359,710,340	379,083,450
Developmental	-	-	-	-
Total	<u>\$ 520,758,850</u>	<u>\$ 554,942,030</u>	<u>\$ 565,662,550</u>	<u>\$ 597,459,150</u>
Class				
Real property	\$ 490,676,350	\$ 522,688,830	\$ 532,818,100	\$ 562,517,450
Personal property	30,082,500	32,253,200	32,844,450	34,941,700
Total	<u>\$ 520,758,850</u>	<u>\$ 554,942,030</u>	<u>\$ 565,662,550</u>	<u>\$ 597,459,150</u>

(I) SEV in this table represents ad valorem SEV plus SEV of property granted tax abatement under Acts 198 and 255.

Source: City of East Lansing

See independent auditor's disclaimer on the statistical information.

SEV by Use and Class (I)
Years Ended or Ending June 30, 1996 Through 2005

2000	2001	2002	2003	2004	2005
\$ 240,123,150	\$ 253,498,000	\$ 274,626,700	\$ 293,978,800	\$ 327,950,600	\$ 342,895,800
601,800	629,200	629,200	561,200	585,600	810,600
404,154,700	426,882,500	451,954,400	482,183,700	519,318,400	565,210,000
-	1,937,100	2,097,300	2,652,600	6,677,400	6,403,300
<u>\$ 644,879,650</u>	<u>\$ 682,946,800</u>	<u>\$ 729,307,600</u>	<u>\$ 779,376,300</u>	<u>\$ 854,532,000</u>	<u>\$ 915,319,700</u>
\$ 607,169,750	\$ 645,184,200	\$ 691,464,400	\$ 740,856,100	\$ 815,436,200	\$ 876,057,400
37,709,900	37,762,600	37,843,200	38,520,200	39,095,800	39,262,300
<u>\$ 644,879,650</u>	<u>\$ 682,946,800</u>	<u>\$ 729,307,600</u>	<u>\$ 779,376,300</u>	<u>\$ 854,532,000</u>	<u>\$ 915,319,700</u>

City of East Lansing, Michigan

Maximum Property Tax Rate Year Ended June 30, 2004

Millage Classification	Millage	Applicable Millage Reduction	Maximum Allowable
	<u>Authorized</u>	<u>Fraction (I)</u>	<u>Millage</u>
Operating	20.0000	0.8966	17.9314
Refuse collection and disposal	3.0000	0.8965	2.6896

(I) Cumulative

Source: City of East Lansing

See independent auditor's disclaimer on the statistical information.

City of East Lansing, Michigan

Property Tax Rates Years Ended or Ending June 30, 1996 Through 2005

Levy July 1	Fiscal Year Ended or Ending June 30	Operating	Refuse Collection	Debt Service	Total
1995	1996	15.48	0.83	0.88	17.19
1996	1997	15.00	1.57	1.52	18.09
1997	1998	15.00	1.59	1.50	18.09
1998	1999	15.07	1.59	1.43	18.09
1999	2000	15.07	1.59	2.50	19.16
2000	2001	15.07	1.59	2.62	19.28
2001	2002	15.26	1.59	2.43	19.28
2002	2003	15.36	1.59	2.33	19.28
2003	2004	15.52	1.59	2.17	19.28
2004	2005	15.65	1.59	2.04	19.28

Source: City of East Lansing

See independent auditor's disclaimer on the statistical information.

City of East Lansing, Michigan

	1995	1996	1997	1998
Sales tax	\$ 2,634,290	\$ 2,768,404	\$ 5,121,793	\$ 5,623,431
Income tax	1,285,662	1,235,404	93,535	-
Single business tax	992,723	1,088,744	-	-
Single business tax (inventory reimbursement)	44,563	44,034	44,305	46,625
Liquor licenses	15,974	15,738	15,540	16,638
State fire reimbursement	671,074	687,874	704,870	733,420
Other State grants	30,384	3,588	6,067	-
Total	<u>\$ 5,674,670</u>	<u>\$ 5,843,786</u>	<u>\$ 5,986,110</u>	<u>\$ 6,420,114</u>

Note A - Includes general fund revenue only.

See independent auditor's disclaimer on the statistical information.

Intergovernmental Revenue (A)
Years Ended June 30, 1995 Through 2004

1999	2000	2001	2002	2003	2004
\$ 6,015,904	\$ 6,605,713	\$ 6,998,036	\$ 6,780,150	\$ 6,207,829	\$ 6,115,328
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
16,859	17,015	19,405	18,171	18,825	19,549
754,677	956,705	927,955	921,457	443,155	461,706
153,290	313,145	12,967	9,269	5,187	30,678
<u>\$ 6,940,730</u>	<u>\$ 7,892,578</u>	<u>\$ 7,958,363</u>	<u>\$ 7,729,047</u>	<u>\$ 6,674,996</u>	<u>\$ 6,627,261</u>

City of East Lansing, Michigan

Labor Contracts June 30, 2004

Approximately 80 percent of the City's full-time employees are represented by labor organizations. The following table illustrates the various labor organizations that represent the City employees, the number of members, and the expiration date of the present contracts:

	<u>Membership</u>	<u>Contract Expiration Date</u>
East Lansing Firefighters Association, Local 1609, International Association of Firefighters	50	6/30/2006
East Lansing Independent Employees' Union	56	6/30/2004
Police Officers Association of Michigan Non-Supervisory unit	51	6/30/2005
Capitol Lodge #141 Fraternal Order of Police - Police support unit	32	6/30/2005
Command and Officers Association of Michigan - Supervisory unit	15	6/30/2005
Police Officers Association of Michigan - District Court Employees	24	6/30/2006
United Auto Workers' Local 2256 - Non-Supervisory	79	6/30/2005
United Auto Workers' Local 2256 - Supervisory	10	6/30/2004
Nonunion employees	<u>78</u>	
Total City employees	<u><u>395</u></u>	

Source: City of East Lansing

See independent auditor's disclaimer on the statistical information.

City of East Lansing, Michigan

Principal Taxpayers Year Ended June 30, 2005

Profile of the Ten Largest Taxpayers

Reflected below are the City's ten largest property taxpayers, their principal product or service, and respective taxable value for the fiscal year ending June 30, 2004:

Taxpayer	Principal Product or Service	Taxable Value (1)	Percentage of Total (%)
DTN Management	Apartments	\$ 31,143,510	3.94
MEA Special Services	Teacher Association/Insurer	15,915,810	2.01
Sam Eyde Development Co.	Developer	11,542,870	1.46
Wells Goodsir, etc.	Rental Properties	11,428,190	1.45
Dunn Development Group	Apartments	7,102,360	0.90
Mutual Insurance Company of America	Physicians Assurance	6,885,470	0.87
Capstone University Commons	Apartments	6,743,370	0.85
D.L. Kesler & Associated Properties	Golf Course/Developer	6,551,000	0.83
Meijer, Inc.	Department/Grocery Store	6,538,830	0.83
South Bend Nursing Home Association	Commercial Properties	5,318,580	0.67
Total		<u><u>\$ 109,169,990</u></u>	<u><u>13.81</u></u>

(1) Based on \$790,769,480, which is the City's Taxable Value for its fiscal year ending June 30, 2005. See "Property Valuations" and "Tax Abatement" herein.

Source: City of East Lansing

See independent auditor's disclaimer on the statistical information.

City of East Lansing, Michigan

Profile of Major Employers June 30, 2004

Company	Principal Product or Service	Approximate Number of Employees
Michigan State University	State University	12,300
Meijer, Inc.	Department/Grocery store	650
East Lansing School District	Education	600
Michigan Education Association	Teacher Association/Insurer	526
Michigan State Police	Police	500
City of East Lansing	Municipal Government	359
U.S. Postal Service	Postal Service	300
Burcham Hills	Retirement Community	300

Source: City of East Lansing

See independent auditor's disclaimer on the statistical information.

City of East Lansing, Michigan

Employment

Reflected below are the unadjusted yearly average unemployment statistics of the City and the State of Michigan for the calendar year 1994 through 2003:

City of East Lansing

	1994	1995	1996	1997
Employed	27,033	27,087	27,477	27,826
Unemployed	1,386	1,229	1,244	1,031
Labor Force	<u>28,419</u>	<u>28,316</u>	<u>28,721</u>	<u>28,857</u>
Unemployed as percent of Labor Force (1)	4.9%	4.3%	4.3%	3.6%

State of Michigan

Employed	4,539,000	4,556,000	4,670,000	4,775,900
Unemployed	285,000	258,000	239,000	209,800
Labor Force	<u>4,824,000</u>	<u>4,814,000</u>	<u>4,909,000</u>	<u>4,985,700</u>
Unemployed as percent of Labor Force (1)	5.9%	5.3%	4.9%	4.2%

(1) Totals and percentages may differ due to rounding by the Michigan Employment Security Commission.

Source: Office of Labor Market Information - Michigan Department of Career Development.
(www.MICHLMI.org)

See independent auditor's disclaimer on the statistical information.

**City and State Employment Data
June 30, 2004**

<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
28,900	28,450	28,525	28,300	27,475	27,450
<u>1,075</u>	<u>900</u>	<u>825</u>	<u>1,200</u>	<u>1,375</u>	<u>1,775</u>
<u>29,975</u>	<u>29,350</u>	<u>29,350</u>	<u>29,500</u>	<u>28,850</u>	<u>29,225</u>
3.7%	3.0%	2.8%	4.1%	4.8%	6.0%
4,835,000	4,893,900	5,016,000	4,901,000	4,691,000	4,674,000
<u>194,200</u>	<u>188,500</u>	<u>185,000</u>	<u>274,000</u>	<u>310,000</u>	<u>368,000</u>
<u>5,029,200</u>	<u>5,082,400</u>	<u>5,201,000</u>	<u>5,175,000</u>	<u>5,001,000</u>	<u>5,042,000</u>
3.9%	3.7%	3.6%	5.3%	6.2%	7.3%

City of East Lansing, Michigan

Miscellaneous Statistical Data Year Ended June 30, 2004

Date of Incorporation	May 8, 1907
Form of Government	City Manager City Council - five members elected at large Mayor elected from City Council
Area	13 square miles
Miles of Street	Major Streets: 23.7 miles Local Streets: 61.5 miles Trunkline Streets: 16.4 miles
Building Permits	

Year	Number	Estimated Value
1994	311	\$ 10,947,829
1995	295	11,692,296
1996	261	8,240,741
1997	256	14,556,997
1998	333	24,085,367
1999	322	29,531,648
2000	431	47,535,512
2001	496	37,870,674
2002	488	31,654,794
2003	573	33,057,392

Fire Protection The Fire Department provides fire suppression and emergency rescue services to the City as well as the Michigan State University campus. The Fire Department operates two fire stations with a staff of 52 people. During calendar year 2003, the Fire Department responded to 882 alarms, (646 in 2002) and 2,626 rescue runs (1,713 in 2002).

Police Protection The Police Department has 64 sworn officers and 46 civilian positions. During calendar year 2003, the Police Department prepared 6,531 (6,004 in 2002) police reports for incidents occurring in the City. Accidents investigated totaled 1,767 (1,767 in 2002) and the Department issued 12,354 (11,838 in 2002) total citations. The East Lansing Police Department does not render police services to the Michigan State University Campus.

Automobile Parking System The System consists of 164 street parking spaces and 2,518 offstreet spaces. Offstreet spaces consist of four attended parking ramps, two attended surface lots, and four metered parking lots.

See independent auditor's disclaimer on the statistical information.

City of East Lansing

**Federal Awards
Supplemental Information
June 30, 2004**



City of East Lansing

Federal Awards Supplemental Information June 30, 2004

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Independent Auditor's Report

To the Honorable Mayor and Members of City Council
City of East Lansing

We have audited the basic financial statements of The City of East Lansing, Michigan for the year ended June 30, 2004, and have issued our report thereon dated September 28, 2004. Those basic financial statements are the responsibility of the management of The City of East Lansing, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of The City of East Lansing, Michigan taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

September 28, 2004



Report Letter on Compliance With Laws and Regulations and
Internal Control - Basic Financial Statements

Plante & Moran, PLLC

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To the Honorable Mayor and Members of City Council
City of East Lansing

We have audited the basic financial statements of The City of East Lansing, Michigan as of and for the year ended June 30, 2004, and have issued our report thereon dated September 28, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether The City of East Lansing, Michigan's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The City of East Lansing, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

September 28, 2004

Report Letter on Compliance With Laws and Regulations and Internal Control - Major Federal Awards

To the Honorable Mayor and Members of City Council
City of East Lansing

Compliance

We have audited the compliance of The City of East Lansing, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2004. The major federal program of The City of East Lansing, Michigan is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of The City of East Lansing, Michigan's management. Our responsibility is to express an opinion on The City of East Lansing, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The City of East Lansing, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on The City of East Lansing, Michigan's compliance with those requirements.

In our opinion, The City of East Lansing, Michigan complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

To the Honorable Mayor and Members of City Council
City of East Lansing

Internal Control Over Compliance

The management of The City of East Lansing, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The City of East Lansing, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

September 28, 2004

Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

Federal Agency/Pass-Through Agency Program Title	CFDA Number	Pass-Through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development:				
Community Development Block Grants - Entitlement grant	14.218			
B-99-MC-26-0024			\$ 871,000	\$ 125
B-00-MC-26-0024			862,000	8,060
B-01-MC-26-0024			890,000	8,671
B-02-MC-26-0024			870,000	443,515
B-03-MC-26-0024			<u>752,000</u>	<u>359,460</u>
Total U.S. Department of Housing and Urban Development			4,245,000	819,831
U.S. Department of Homeland Security				
Emergency Management Performance Grants	97.042		7,326	7,326
U.S. Department of Justice:				
Office of Community Oriented Policing Services: COPS in School: 2000SHWX0808	16.710		125,000	44,427
Office of Justice Programs:				
Bureau of Justice Assistance -				
Local Law Enforcement Block Grant:	16.592			
2003-LB-BX0025			19,535	19,535
Bullet Proof Vest Grant: 01008442	16.607		4,896	3,823
Juvenile Justice and Delinquency Prevention Act -	16.540	DP 02-33001		
Passed through the State of Michigan Family Independence Agency			138,350	42,012
Juvenile Justice and Delinquency Prevention Act -	16.540	DP 03-33002		
Passed through the State of Michigan Family Independence Agency			<u>75,000</u>	<u>62,026</u>
Total Office of Justice Programs			<u>237,781</u>	<u>127,396</u>
Total U.S. Department of Justice			370,107	179,149
U.S. Department of Transportation:				
Operation Nightcap - City of East Lansing	20.600	OHS-31	13,395	9,096
Passed through City of East Lansing to Meridian Township		OHS-31	10,034	1,650
Passed through City of East Lansing to City of Lansing		OHS-31	17,712	1,799
Passed through City of East Lansing to Ingham County		OHS-31	<u>9,933</u>	<u>1,399</u>
Total Operation Nightcap			51,074	13,944
Highway Planning and Construction				
Passed through the State of Michigan	20.205		<u>35,810</u>	<u>35,810</u>
Total U.S. Department of Transportation			86,884	49,754
U.S. Department of Health & Human Services:				
National Family Caregiver Support -				
Passed through Ingham County	93.052	F3ECG	9,950	9,950
Environmental Protection Agency:				
Office of Water:				
Capitalization Grants for Clean Water State Revolving Funds -				
Passed through the State of Michigan	66.458		<u>2,693,242</u>	<u>373,224</u>
Total Federal Awards			\$ 7,405,183	\$ 1,431,908

City of East Lansing

Reconciliation of Basic Financial Statements Federal Revenue With Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 1,058,684
Federal revenue reported as a liability on general purpose financial statements	<u>373,224</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 1,431,908</u></u>

City of East Lansing

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The City of East Lansing, Michigan and is presented on the same basis of accounting as the Basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the Basic financial statements.

Note 2 - Subrecipient Awards

Federal Program	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 84,661

City of East Lansing

Schedule of Findings and Questioned Costs Year Ended June 30, 2004

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
66.458	Clean Water State Revolving Fund

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low risk auditee? ☒ Yes ☐ No

City of East Lansing

Schedule of Findings and Questioned Costs (Continued) **Year Ended June 30, 2004**

Section II - Financial Statement Audit Findings

Reference Number	Findings
	None

Section III - Federal Program Audit Findings

Reference Number	Findings
	None

City of East Lansing, Michigan

Report to the City Council

June 30, 2004

City of East Lansing, Michigan

Report to the City Council

June 30, 2004

To the Honorable Mayor and
Members of the City Council
City of East Lansing, Michigan

We recently completed our audit of the financial statements of the City of East Lansing, Michigan for the year ended June 30, 2004. In addition to our audit report, we offer the following comments.

TITLE	PAGE
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Recommendations and Legislative Issues	
Internal Control Observations and Suggestions	3
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Fire Protection Grants	6
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We appreciate the opportunity to be of service to the City of East Lansing, Michigan. The cooperation extended to us by your staff throughout the audit was greatly appreciated. We look forward to continuing our relationship with the City. Should you wish to discuss any of the items included in this letter, we would be happy to do so.

Plante & Moran, PLLC

September 28, 2004

Certificate of Achievement

**City of East Lansing
Certificate of Achievement
June 30, 2004**

We would like to take the opportunity to congratulate the City staff for once again obtaining the Government Finance Officers' Association "Certificate of Achievement" award for excellence in financial reporting. This is a creditable accomplishment for the City to continue to receive this award. The City Manager and Director of Finance should be commended for their efforts.

Recommendations and Legislative Issues

City of East Lansing

Recommendations and Legislative Issues

June 30, 2004

Internal Control Observations and Suggestions

During our audit process we attempt to identify opportunities for the City to revise or update its systems or procedures. The primary goal of internal control is to provide reasonable (as opposed to an absolute) protection to the City regarding its assets and financial information. We recognize the fact that the City does have strong internal control processes already in place. With that in mind, we offer the following for City consideration as it continues to improve its operations.

- **Cash Receipts at Remote Locations** - As part of the audit, we noted that the City's finance department had identified concerns over the timeliness of deposits from the Aquatic Center. We spent additional time reviewing the internal controls over the cash receipts being collected at the Aquatic Center. It was noted that deposits had been held at the Aquatic Center for varying periods of time before being delivered to the Treasurer's office. We concur with the City's response to the timeliness of deposits, and would encourage the City to continue to monitor the timeliness of receipts at all remote locations.
- **Monthly Bank Reconciliations** - The City understands the importance of reconciling its cash accounts. Reconciliations are completed and reviewed on a timely monthly basis. We believe the current form that is being used by the City does not clearly indicate which reconciling items are temporary differences with the bank, and which items require adjustment to the accounting records. We have supplied the city administration with a sample of a form that we believe more clearly differentiates between these two types of reconciling differences. We hope that use of this form will assist the City in the future to further enhance the controls over the bank reconciliation process.

City of East Lansing

Recommendations and Legislative Issues

June 30, 2004

State Shared Revenue

Cities in Michigan have and will continue to feel the effects of the slow down in the State's economy. State shared revenue accounted for approximately 22 percent of the City's total General Fund revenue for the fiscal year ended June 30, 2004. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line item in the State's budget, revenue sharing payments for the last several years have been lower than anticipated.

The following depicts the City's actual and estimated revenue sharing payments over a five year period - from the **State's** fiscal year ending September 30, 2001, through the fiscal year ending September 30, 2005.

	Actual FY 2001	Actual FY 2002	Actual FY 2003	Actual FY 2004	Estimated FY 2005
Constitutional	\$ 3,016,903	\$ 3,047,634	\$ 3,099,230	\$ 3,065,565	\$ 3,196,351
Statutory	<u>3,996,301</u>	<u>3,747,974</u>	<u>3,462,640</u>	<u>2,831,934</u>	<u>2,701,148</u>
Total payments	<u>\$ 7,013,204</u>	<u>\$ 6,795,608</u>	<u>\$ 6,561,870</u>	<u>\$ 5,897,499</u>	<u>\$ 5,897,499</u>
Dollar change		\$ (217,596)	\$ (233,738)	\$ (664,371)	\$ -
Percentage change		-3.10%	-3.44%	-10.12%	0.00%

While East Lansing's constitutional revenue sharing payments have been increasing slightly almost each year, the statutory piece of revenue sharing has dropped almost \$1.3 million since 2001. For the State's fiscal year 04/05, the Governor has proposed to hold the line on revenue sharing - meaning that FY 04/05 levels will equal FY 03/04 levels - but only for cities, villages, and townships. As you can see, the proposed revenue sharing for the City of East Lansing for the State's fiscal year ending September 30, 2005, is \$5,897,499 which is equal to the actual amount for the State's fiscal year ending September 30, 2004.

Although sales tax revenue would support an increase to State shared revenue payments, the State's budget situation remains troublesome at best. It is generally acknowledged that the State's budget woes will continue for several more years. As a result, we continue to urge the City to be conservative in its estimation of State shared revenue as this line item in the State's budget remains vulnerable.

City of East Lansing, Michigan

Recommendations and Legislative Issues

June 30, 2004

Retiree Health Care Benefits

The Governmental Accounting Standards Board has recently released Statement Number 45, Accounting and Reporting by Employers for Post Employment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post employment benefits (other than pensions). The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government wide financial statements, rather than the individual fund level. As a result, you will not need to change your budgeting practices.

However, the new pronouncement will require a valuation of the obligation to provide retiree health care benefits, including an amortization of the past service cost over a period of up to 30 years. The valuation must include an annual recommended contribution (ARC). While the ARC does not need to be funded each year, any under funding must be reported as a liability on the government wide statement of net assets.

This valuation will need to be performed by an actuary if the total participants exceed 100. Participants are defined as employees in active service, terminated employees not yet receiving benefits, plus retirees and beneficiaries currently receiving benefits. For plans with 100 to 200 participants, the actuarial valuation must be at least every three years; for those over 200 participants, at least every other year.

This statement is being phased in over a three year period, similar to GASB 34. It is effective for fiscal years beginning after December 15, 2006, 2007, or 2008 depending on whether your revenues are over \$100 million, between \$10 million and \$100 million, or under \$10 million. For the City of East Lansing, the effective date is for the year beginning July 1, 2007. Remember that planning to make the annual recommended contribution generally requires up to three to six months for an actuarial valuation plus six months lead time to work the numbers into the budget. Therefore, we recommend that you begin the actuarial valuation at least one year prior to the above dates.

City of East Lansing, Michigan

Recommendations and Legislative Issues

June 30, 2004

Transportation Matters

The Legislature recently approved HB 5319 which would earmark one-half of one cent of the state gasoline tax for the preservation, improvement or reconstruction of existing bridges. It is estimated that over the next 10 years that approximately a half billion dollars will be available to local governments for bridge needs. Presently, these monies are used primarily by the Michigan Department of Transportation for State bridges. The legislation creates a Local Bridge Authority to manage the monies as well as seven, five member, regional bridge councils. The new Authority would consist of six voting members appointed by the State Transportation Commission (three nominations by the County Road Association of Michigan and three by the Michigan Municipal League) and two non-voting members nominated by the Department of Transportation.

Also, HB 4358 has been introduced which changes vehicle weight restrictions on Michigan roads for certain trucks (without regard to existing limitations imposed by local governments) and could reduce overweight truck fines.

Fire Protection Grants

Certain communities with qualifying state-owned property within their jurisdiction receive fire protection grants from the State of Michigan. A portion of the grants are included in the Department of Labor and Economic Growth budget (approximately \$3.7 million) and the remainder is to be paid to local governments as a result of legislative changes made last year (\$3.5 million). In combination, the State forecasts for its 2004/2005 fiscal year that approximately \$7.2 million of fire protection grant monies will be available to local governments. In addition, new legislation (HB 5313) could provide an estimated additional \$3.7 million from the potential sale of excess state land to local governments receiving fire protection grants. As passed, HB 5313 deposits proceeds on identified potential land sale transactions that exceed \$36 million into the fire protection fund for payment to local governments. While it appears that these monies will experience an increase, due to the nature of their appropriation and the history involving their availability, local governments receiving these monies should continue to budget these monies carefully when doing multi-year planning.

City of East Lansing, Michigan

Recommendations and Legislative Issues

June 30, 2004

Property Tax Matters

During the current legislative session, there have been a number of bills involving property taxes that impact local governments. The following is a highlight of several of the bills:

- HB 4880, as passed by the House in August 2004, proposes to increase property taxes for mobile home owners with additional monies earmarked for local governments.
- HB 6017 was introduced to address the inconsistent treatment of assessing commercial property using the occupancy method. The inconsistent treatment occurs when the taxable value of a commercial property is reduced based on a loss in occupancy and a corresponding increase will not occur when occupancy increases resulting in a permanent taxable cap on property (subject to annual inflationary increases). This treatment is a result of what is commonly referred to as the "WPW Case" involving the City of Troy.
- HB 4649 was passed by the House and would allow for local governments to pass a resolution exempting new construction on homestead property used as a living area from property taxes (subject to certain limitations) in all or just certain areas of the local jurisdiction.
- HB 5358 was introduced and would change the requirements for personal property tax examiners including: requiring the State Tax Commission to qualify examiners based on experience and examination; require examiners to be employees of a local government; and make payments to examiners on a per parcel basis.
- HB 5538, as passed by the House, exempts property under development from school operating taxes (18 mills) by classifying the property as "homestead" property. The bill also proposes to not allow the taxable value of property to "uncap" when the property is sold to a new owner.
- HB 4234, as passed by the House, would provide a personal property tax exemption to businesses with taxable value of personal property of \$7,500 or less (these businesses would be exempt from paying any personal property taxes). Language was included in the House that any revenue loss to local governments would be reimbursed by the State. However, these monies would require an appropriation by the Legislature.